# The Province of Alberta

THE ROYAL COMMISSION ON METROPOLITAN DEVELOPMENT OF EDMONTON AND CALGARY

DR. G. FRED McNALLY,
*(Chairman)*

G. M. BLACKSTOCK, Esq., Q.C.

PERCY G. DAVIES, Esq., Q.C.

IVAN C. ROBISON, Esq.

CHARLES P. HAYES, Esq.

DR. H. B. MAYO
*(Consulting Economist)*

Wm. McGRUTHER, Esq.
*(Commission Secretary)*

PROCEEDINGS

DATE March 22nd, 1955.

VOLUME 47

The Court House
EDMONTON - ALBERTA
SUPREME COURT REPORTERS, EDMONTON

VOLUME 47

March 22nd, 1955.

I N D E X

WITNESSES:

VOLUME 47

March 22nd, 1955.

| No. | EXHIBITS | Filed at | Copied At |
|---|---|---|---|
| 236E | Analysis of 1955 Assessment Roll..... | 5858 | |
| 237E | 5 City Utilities - Year 1953- Consolidation of Information From Exhibits 184E, 203E, and 166E ..... | 5864 ... | 5865 |
| 238E | 5 City Utilities - Year 1953 - Exhibits 184E and 203E In Relation To Total City Tax Levy ..... | 5866 ... | 5867 |
| 239E | Comments in Respect to Exhibit No. 206E Filed By City of Edmonton Dealing With Taxation of Northwestern Utilities Limited in City of Edmonton..... | 5869 ... | 5869 |
| 240E | Estimated 1955 Gas Co. Taxation Measured in Terms of Actual 1953 Taxation on 5 City Owned Utilities .... | 5872 ... | 5873 |
| 241E | Power Plant - 1953 - Exhibits 184E and 203E and 166E ..... | 5874 ... | 5875 |
| 242E | Consolidation of Information from Exhibits 184E and 203E, Edmonton Utilities - and 1953 City Annual Financial Statements, Electric Light and Power Plant Combined - 1953 ..... | 5876 ... | 5877 |
| 243E | Summary of Facts From Exhibit 211E (Power Plant Only on Page 1), and Page 2(Covering Power Plant and Water Supply and Purification Plant) ..... | 5878 ... | 5879 |
| 244E | Comments on Exhibits 211E (Power Plant Cost Per K.W.H. Sold, and Charges to Electric Light Distribution System) and Exhibits 217E (which shows charges to different classes of consumers)..... | 5880 ... | 5881 |
| 245E | Comments on Exhibit No. 217E which is an analysis of Sales, Revenue, and Expenditures of the Light and Power Distribution System ..... | 5882 ... | 5883 |
| 246E | Electric Light Dept. - 1953, Exhibits 184E, and 203E, and 166E ..... | 5884 ... | 5885 |
| 230E | Table Showing Power Costs ..... | | 5887 |
| 232E | City of Edmonton Electric Light and Power Distribution System, K.W.Hr. Consumption Rates and Energy Costs For Street Lighting ..... | | 5898 |

THE SITTINGS OF THE ROYAL COMMISSION ON METROPOLITAN DEVELOPMENT OF CALGARY AND EDMONTON, held at the Court House, Edmonton, Alberta, on Tuesday, the 22nd day of March, A. D. 1955, at 9:45 a.m.

---

MR. GARSIDE: I would like to file as an exhibit something that was mentioned by Mr. Pollock yesterday, and I think it was asked for by the Members of the Commission. It is an analysis of the 1955 assessment roll showing single family residences, multiple residential, commercial and residential, commercial, vacant land, City owned utilities, etc.

THE CHAIRMAN: Thank you very much, Mr. Garside.

MR. MCGRUTHER: Exhibit 236E.

THE CHAIRMAN: This will be Exhibit number 236E.

ANALYSIS OF 1955 ASSESSMENT ROLL, AS PRODUCED, IS MARKED EXHIBIT 236E AND PUT IN.

MR. DAVIES: I presume, Mr. Garside, that the Gas Company's $4,400,000.00 is not on this simply because it is only for municipal purposes? Is that right?

MR. GARSIDE: Mr. Pollock will be here in a second, and he can say himself what the reason for that omission is.

MR. DAVIES: I would imagine that's what it would be, because that assessment is not available to the school under the City Charter.

MR. GARSIDE: I was going to ask Mr. Pollock to go into the box again, because I would think that

MR. GARSIDE:(Cont.) the question which was asked by Dr. Harries was not answered sufficiently in connection with the operation of the base of taxation.

THE CHAIRMAN: Yes, Mr. Pollock is there. But, Mr. Garside, if Commissioner Menzies is coming this morning then I think perhaps we might leave this matter with Mr. Pollock until -- because we understood yesterday that Mr. Menzies could not be here this afternoon.

MR. GARSIDE: That's right.

THE CHAIRMAN: I see that Mr. Pollock has stopped in mid-air.

(Laughter)

MR. GARSIDE: As far as Mr. Pollock is concerned, it is only a matter of just one question.

THE CHAIRMAN: Very well, then; we certainly don't want to have him running back and forth. Perhaps we can get it over before Mr. Menzies gets here.

JOHN POLLOCK, having been recalled, examined by Mr. Garside on his former oath, testified as follows:

Q Mr. Pollock, you are still under oath.

A Yes sir.

Q I would like to show you a statement that has recently been marked as Exhibit 236E. That statement was prepared on your instructions?

A That's right.

Q Commissioner Davies was asking why the Gas Company assessment was omitted from that.

A That is included in the commercial.

MR. DAVIES: Under the building item, I presume?

A Plant and equipment, actually.

Q MR. GARSIDE: There is just one further question I would like to ask you, Mr. Pollock: when Dr. Harries was examining you yesterday he spoke about a change in the base of taxation. It seems to me that the answer was left in a sort of vague manner, and I would like you to deal with the consequences of a change in the base of taxation, in your opinion.

A Well, I said at the time that I didn't think it would be very practical, because the assessor is bound to assess the land at its fair actual value, and if you disturbed the base as suggested, we couldn't adhere to the terms of the City Act.

Q Could you give an example of what you speak of in connection with its probable effect upon the incidence of taxation upon residences?

A It would increase the base, the taxation on residences, and it would also bonus all vacant land in the city, and it would encourage speculation.

DR. HARRIES: Mr. Chairman, I'm not sure that I should take the time of the Commission to go into this matter further, but I would like to point out that what my question was attempting to show was that if you use either 50% or 60% of fair actual value to determine the assessment on buildings, you do not, by changing that to 100%, automatically throw a heavier burden on the improvements, if at the same time you change the assessment base; and I can give you a simple example, and maybe Mr. Pollock would agree with it: in 1952 in Edmonton we had arrived at a fair and

DR. HARRIES:(Cont.) reasonable assessment for residential land and residential buildings -- if I remember correctly, the land was done in 1951 and the buildings were done in 1952 -- now, in 1955 we have re-assessed the land, and we have now a supposedly reasonable assessment based on the fair and actual value of the land. Now, we haven't touched the improvements, so I conclude from that that the relationship which existed in 1952 has now been altered, and more taxes are coming on the land and less of it is coming on the buildings.

I suggest this: if there is a re-assessment on buildings without at the same time making a re-assessment on land, some time in the future -- 1956 or 1957 -- that we are once again going to shift the burden of taxes as between land and improvements.

I can give you an example which might help to clarify it. Supposing in 1950 a resident of Edmonton built a house that cost $10,000.00, and he put it on a lot that he purchased from the city for $1,000.00. When he had that building completed it would be assessed, and it would be assessed, as I understand it, on this basis: the cost of the building was $10,000.00. The cost of that building in the 1944-45 period would have been, let us say for argument, $6,000.00; so the fair actual value of the building is $6,000.00, and the assessment is 60% of the $6,000.00, so the amount that appears on the roll is $3,600.00 for the building. The land -- the fair actual value is what he paid for it from the city, because they sold it at the assessed value which was $1,000.00 -- so the total assessment

DR. HARRIES:(Cont.) is $4,600.00.

A Your residential is 50%, not 60%.

DR. HARRIES: I'm sorry, 50% -- so let's take it at three thousand -- so his total would be $4,000.00.

Now, in 1955 the city comes along and it re-assesses his land at $1,500.00 instead of $1,000.00; so now his total assessment is $4,500.00, and so the burden of tax has been shifted to an extent from the improvements to the land.

Now, when the residence is re-assessed, when the improvements are re-assessed, it is once again going to change that, because the depreciation will come in there, maybe because of a change in the base period, which will come one of these days; so there will be a switch once again, and all I was suggesting in my question yesterday to Mr. Pollock is that if he wanted to he could hold his burden of taxation the same by going up to 100% of value, but reducing, for purposes of valuation, the index that he uses on, say, the year 1940 instead of 1944-45; so if there was a desire to have rural and urban areas the same, they could both use 100%, and it wouldn't change the relative burden of the tax as between land and buildings; because in rural areas now they use 1942, and we use 100%; and in the city we use 50% and we use 1944-45. It would be, I suggest, not impossible to shift us back so that we could have 100%, and that would give you uniform assessment throughout the Province.

I am sorry to have taken up your time, but I thought once it was raised that it

DR. HARRIES:(Cont.) should be clarified.

A I just want to point out that there is approximately $4,000,000.00 worth of vacant land that you definitely bonus as speculative by reducing the base.

DR. HARRIES: Mr. Pollock, I don't want to quibble with you about the thing, and I think maybe if you and I talk it over afterwards I might be able to convince you that you won't bonus anyone.

A I would be very glad of that, Dr. Harries.

THE CHAIRMAN: I will be very grateful if you will settle it that way.

(Laughter.)

DUDLEY BLAIR MENZIES having been recalled, examined on his former oath by Mr. Davies, testified as follows:

Q Is there any possibility, Mr. Menzies, that you would be available in the early part of the afternoon--or is the afternoon out?

A I am a pallbearer at a funeral; that is why I can't be here.

MR. DAVIES: Well, Mr. Chairman, I think that might -- in view of the fact that we can't have Commissioner Menzies here this afternoon, I think it might possibly change slightly what procedure we might follow to speed things up.

Now, as far as the memoranda which I have in my possession are concerned, they are merely memoranda that have been prepared taking information off the exhibits which the City has already filed -- that's all they are; and so I will file with the Reporter copies of these statements

MR. DAVIES:(Cont.) that I have prepared, and possibly they could be given exhibit numbers and put in the record -- if there is no objection to that procedure. They are purely factual summaries of the facts taken off the exhibits which the City was kind enough to give us.

THE CHAIRMAN: And how many of them will there be?

MR. DAVIES: Well, the first one will be -- it is entitled:

"5 CITY UTILITIES - YEAR 1953 - CONSOLIDATION OF INFORMATION FROM EXHIBITS 184 E, 203 E and 166 E."

THE CHAIRMAN: That will be Exhibit 237 E.

DOCUMENT ENTITLED "5 CITY UTILITIES - YEAR 1953 - CONSOLIDATION OF INFORMATION FROM EXHIBITS 184 E, 203 E, AND 166 E" AS PRODUCED, IS MARKED 237E AND PUT IN.

EXHIBIT 237 E

5 CITY UTILITIES - YEAR 1953 - CONSOLIDATION OF INFORMATION FROM EXHIBITS 184 E, 203 E and 166 E

| | | |
|---|---|---|
| 1. | Combined Surplus - comprising taxes, 5% tax, plus amount transfered to General Reserve: | $ 2,056,000.00 |
| 2. | Add: Amounts transferred to Plant Extension Reserves - charged to Revenue: | 3,382,000.00 |
| 3. | Total charged consumers in excess of cost of operation, maintenance, debenture principal and interest: | $ 5,438,000.00 |

---

| | | |
|---|---|---|
| 4. | Gross Revenue combined as per 1953 Financial Statement (Page 55): | $16,284,759.00 |
| 5. | Percentage of Profit based on actual cost:($5,438,000.00 on $10,846,759.00) | 50% |

---

| | | |
|---|---|---|
| 6. | Combined Capitalisation based on debt owing at Dec. 31st, 1953, as per Exhibit 166 E | 16,846,944.00 |
| 7. | Annual Return in per cent based on Capital Debt outstanding December 31st, 1953: | 32.2% |
| 8. | Based on the total actual assessment of the 5 Utilities as per Resolution of Council at $10,500,000.00 (on which the City actually taxes the 5 Utilities) the above sum of $5,438,000.00 in Item 3 represents taxation of the 5 Utilities at a rate of 517 mills. | |

MR. DAVIES: If I get these all filed, Mr. Chairman, then we can proceed and discuss them as far as we can with Mr. Menzies.

MR. MOFFAT: Mr. Davies, do you have copies?

MR. DAVIES: Yes, I think that I have enough -- I haven't enough to pass all around. This one was under discussion yesterday.

THE CHAIRMAN: Mr. Garside had a copy of the one we had yesterday afternoon.

MR. DAVIES: I will have one for Mr. Moffat and one for the M. D. of Strathcona.

Then, the next one -- and I suggest these be copied in the record, sir -- the next one is entitled:

"5 CITY UTILITIES - YEAR 1953 - EXHIBITS 184 E and 203 E IN RELATION TO TOTAL CITY TAX LEVY."

THE CHAIRMAN: What were the numbers again, Mr. Davies?

MR. DAVIES: 184E and 203E In Relation To Total City Tax Levy.

THE CHAIRMAN: Then that will be Exhibit 238E.

DOCUMENT ENTITLED "5 CITY UTILITIES - YEAR 1953 - EXHIBITS 184E and 203E IN RELATION TO TOTAL CITY TAX LEVY", AS PRODUCED, IS MARKED EXHIBIT 238E AND PUT IN.

EXHIBIT 238 E

5 CITY UTILITIES - YEAR 1953 - EXHIBITS 184 E and 203 E IN RELATION TO TOTAL CITY TAX LEVY

| | | |
|---|---|---|
| 1. | Combined Surplus as per Exhibit 184 E | $ 2,056,748.00 |
| 2. | Transferred to Utility Reserves - charged to revenue - as per Exhibit 203 E | 3,382,769.00 |
| 3. | Total Received - Surplus & Utility Reserves | 5,438,000.00 |
| 4. | Total Net City Assessment, including Real Property, Improvements and Business Tax: | 180,703,740.00 |
| 5. | Mill Rate in 1953: | 52.50 Mills |
| 6. | Total Real property and Business Tax Levy: | 12,179,743.00 |
| 7. | Repeat - Item 3 - Total Levies on Utility Consumers | 5,438,000.00 |

8. 1953 Utility Surplus and Transfers to Reserve (Combined) represents 44.66% of Total 1953 Levy, or the equal of 23.44 mills of the total actual tax levy

9. Based on the total actual assessment of the 5 Utilities as per Resolution of Council at $10,500,000.00 (on which the City actually taxes the 5 Utilities) the above sum of $5,438,000.00 in Item 3 represents taxation of the 5 Utilities at a rate of 517 mills.

THE CHAIRMAN: And the next one?

MR. DAVIES: Now, the next one, sir, is entitled:

"Comments in Respect to Exhibit No. 206 E filed by City of Edmonton dealing with Taxation of Northwestern Utilities Limited in the City of Edmonton."

This exhibit, in an endeavour to measure the incidence of the taxation on the 5 city utilities illustrates what would happen to the Gas Company if the same rate of taxation were levied on the Gas Company in Edmonton in the year 1954, as was levied on the 5 city utilities in the year 1953.

MR. MOFFAT: Do you classify items that were put to reserves and so on as taxes in that one, the same as you did in the other one?

MR. DAVIES: In this one?

MR. MOFFAT: Yes.

MR. DAVIES: I have no information at all on what the Gas Company levies against its patrons for capital expenditures, but my understanding is that the Public Utilities Board does not allow large expenditures for capital purposes to be charged against revenue in the rates.

MR. MOFFAT: But you haven't --.

MR. DAVIES: Well, I think we will deal with this one when we come to it, Mr. Moffat and perhaps it will be possibly more self-explanatory. This will be Exhibit 239E, will it?

THE CHAIRMAN: Yes.

MR. DAVIES: I haven't got so many copies of this; in any event, it is an endeavour to measure the incidence of the taxation, if it were extended

MR. DAVIES:(Cont.) to the Gas Company, the gas consumers.

DOCUMENT ENTITLED "COMMENTS IN RESPECT TO EXHIBIT NO. 206 E FILED BY CITY OF EDMONTON DEALING WITH TAXATION OF NORTHWESTERN UTILITIES LIMITED IN THE CITY OF EDMONTON", AS PRODUCED, IS MARKED EXHIBIT 239E AND PUT IN.

EXHIBIT 239E

Comments in Respect to Exhibit No. 206 E filed by City of Edmonton dealing with Taxation of Northwestern Utilities Limited in the City of Edmonton

---

1. The following Table taken from Exhibit 206 E shows the taxes paid by the Gas Company to the City in the years 1937 and 1954.

| Year | Land & Impts. | Plant Tax | 5% Revenue Tax | Total |
|---|---|---|---|---|
| 1937 | $ 4,906.83 | $ 40,500.00 | $ 48,908.13 | $ 94,314.96 |
| 1954 | 22,018.72 | 169,600.00 | 287,068.20 | 478,686.92 |

2. The evidence before the Commission is that in 1954 the Plant Tax of $169,600.00 was arrived at by paying 53 mills on the 1954 Plant Assessment of $3,200,000.00.

3. The 5% Revenue Tax paid by the Gas Company in 1954 in the amount of $287,068.20 arises from the fact that the Gas Company had a gross revenue in the City of Edmonton in the year 1954 amounting to $5,741,364.00.

---

4. It is now proposed to try and measure what tax the consumers of gas in Edmonton would pay to the City if the gas consumers were taxed in the same proportion as the patrons of the five City utilities; since the figures for the five City utilities are only available for the year 1953, the incidence of such taxation will be measured in terms of 1953 figures for the five City Utilities, compared with the actual taxation of the Gas Company in 1954.

EXHIBIT 239E (Cont.)

5. The assessment of the City combined for the year 1953 on the five utilities amounted to $10,500,000.00, and the various Exhibits filed, including Exhibit 11 E (1953 City Financial Statements) shows that the patrons of the five City utilities were subjected to the following taxation in 1953:

| | |
|---|---|
| Combined surplus as per Exhibit 184 E: | $ 2,056,748.00 |
| Transferred to Utility Reserves - charged to revenue - Exhibit 203 E: | 3,382,769.00 |
| Total: | $ 5,439,517.00 |

6. On the basis of a total assessment in 1953 of $10,500,000.00 on the five City utilities, and taxation to the extent of $5,439,517.00, it works out to a mill rate of 517 mills levied on the five utilities.

7. The Gas Company assessment in the year 1954 was $3,200,000.00 on Plant, and if this were levied on at the rate of 517 mills it would produce total taxation on the Gas Company patrons amounting to $1,654,400.00.

8. As per Paragraph 1 hereof the total taxes paid to the City by the Gas Company in 1954, including taxes on lands and improvements, Plant Tax, and 5% revenue tax amounted to $478,686.92.

9. It follows that if the gas consumers were to be taxed on the same basis as the average for the five city-owned utilities that an additional tax should be levied on the gas company amounting to $1,175,713.00 to bring the total taxation of the gas company up to $1,654,400.00.

If this additional taxation were levied against the gas consumers in 1954, and if such extra taxation were to be accomplished through increasing the 5% revenue tax, such

EXHIBIT 239E (Cont.)

tax would have to be raised by 20.44% on the revenue of the Gas Company, in consequence of which the 5% franchise tax charged the Gas Company would be increased to 25.44%.

---

10. This comparison is made - not to suggest that this should be done - but to indicate what a substantial increase in gas rates would be involved, and also to indicate the subtle and far-reaching proportions of the taxation of the five City utilities.

11. If there is to be utility taxation in Edmonton on a large scale such as is the case on five city-owned utilities, what is the justification for exempting the gas consumer at the expense of the consumers, for example, of electricity?

---

March 19th, 1955.

MR. DAVIES: Now, I have another one but I have only one copy of it which is entitled:

"Estimated 1955 Gas Co. Taxation Measured in Terms of Actual 1953 Taxation on 5 City Owned Utilities."

This takes the new Gas Company 1955 assessment of $4,400,000.00 and it estimates the Gas Company revenues in 1955 at an increase of 15%, which was what the increase in the year 1954 was over 1953; then it determines what the 5% gas tax would be; then takes the new Gas Company assessment; levies the same rate on it as the City utilities levy in 1953; and calculates how much the 5% royalty tax would have to be in 1955 if the same measure of taxation were imposed on the gas consumers as the average for the five utilities for 1953. I will have to get that typed and give it to the Reporter. Now, that's number -- what is it, sir?

THE CHAIRMAN: 240E.

MR. DAVIES: 240E.

DOCUMENT ENTITLED " ESTIMATED 1955 GAS CO. TAXATION MEASURED IN TERMS OF ACTUAL 1953 TAXATION ON 5 CITY OWNED UTILITIES" AS PRODUCED IS MARKED EXHIBIT 240E AND PUT IN.

EXHIBIT 240E

Estimated 1955 Gas Co. Taxation Measured in Terms of Actual 1953 Taxation on 5 City Owned Utilities.

1. Rates and Taxes

| Year | Gross Gas Co. Revenue | Amount of 5% Revenue Tax |
|---|---|---|
| 1953 | $ 4,981,732.20 | $ 249,086.61 |
| 1954 | 5,741,364.00 | 287,068.20 |
| 1955 (Gross Revenue estimated at 15% over 1954) | 6,602,568.60 | 330,128.43 |

2. New Assessment of Gas Co. in 1955: $4,400,000.00

3. Rate of Taxation on 5 City owned Utilities in 1953, based on Assessment of $10,500,000.00 - was 517 mills - having regard to the fact that total 1953 surpluses were in total amount of $2,056,748.00 and $3,382,769.00 was charged in the rates to take care of capital expenditures, making a total of $5,439,517.00.

4. If 1955 mill rate is 53 mills, Gas Co. Plant tax on new assessment of $4,400,000.00 will be $233,200.00; assuming 1955 real estate taxes of $22,018.72 remain the same, total Gas Co. taxes, including franchise tax, will amount to $585,347.15.

5. If Gas Co. taxed on new 1955 assessment of $4,400,000.00 at same rate as 5 City utilities in 1953, namely 517 mills, the total taxation would be $2,274,800.00, which would amount to $1,689,452.85 more than estimated actual total 1955 taxes of $585,347.15. To produce this extra tax on gas consumers would involve raising the present 5% franchise tax in 1955 to approximately 30%.

MR. DAVIES: Now, the next one is entitled:

"Power Plant - 1953 Exhibits 184E and 203E and 166E".

It is a consolidation of those exhibits.

THE CHAIRMAN: What was the year? 1953?

MR. DAVIES: 1953.

DOCUMENT ENTITLED "POWER PLANT - 1953 EXHIBITS 184 E and 203 E and 166 E" AS PRODUCED, IS MARKED EXHIBIT 241E AND PUT IN.

EXHIBIT 241E

POWER PLANT - 1953

EXHIBITS 184 E and 203 E and 166 E

| | |
|---|---|
| 1. Surplus - Exhibit 184 E - comprising taxes, 5% tax, plus amount transferred to City General Reserve: | $ 329,267.00 |
| 2. Plant Extension Reserve - Exhibit 202E | 1,406,950.00 |
| 3. Total charged consumers in excess of cost of operation, maintenance, debenture principal and interest: | 1,736,217.00 |
| 4. Gross Revenue as per 1953 Statement: | $ 3,553,074.00 |
| 5. On Gross Revenue of $3,553,074.00 the profit amounted to: | 1,736,217.00 |
| 6. Percentage of profit based on cost: ($1,736,217.00 on $1,816,857.00) | 95.4% |
| 7. Capitalisation of Power Plant - based on debt owing at Dec.31st, 1953, as per Exhibit 166 E | 554,829.00 |
| 8. Annual Return in percent based on capital debt outstanding December 31st, 1953 | 312 % |

9. Based on the total actual assessment of the Power Plant as per Resolution of Council at $2,500,000.00 (on which the City actually taxes the Power Plant) the above sum of $1,736,217.00 represents 694 mills.

MR. DAVIES: Now, the next one is entitled: "Consolidation of Information from Exhibits 184 E and 203 E, Edmonton Utilities - and 1953 City Annual Financial Statements, Electric Light and Power Plant Combined - 1953".

Now, what this exhibit does: it takes the power plant, which is a separate utility, and amalgamates it with the electric light distribution and power system for purposes of determining the profits.

Will that be Exhibit 242E, sir?

THE CHAIRMAN: Yes sir.

DOCUMENT ENTITLED "CONSOLIDATION OF INFORMATION FROM EXHIBITS 184 E and 203 E, EDMONTON UTILITIES - and 1953 CITY ANNUAL FINANCIAL STATEMENTS, ELECTRIC LIGHT AND POWER PLANT COMBINED - 1953" AS PRODUCED, IS MARKED EXHIBIT 242E AND PUT IN.

EXHIBIT 242E

CONSOLIDATION OF INFORMATION FROM EXHIBITS 184 E and 203 E

EDMONTON UTILITIES - and 1953 CITY ANNUAL FINANCIAL STATEMENTS

ELECTRIC LIGHT AND POWER PLANT COMBINED - 1953

| | ITEM | ELECTRIC LIGHT | POWER PLANT | TOTALS |
|---|---|---|---|---|
| 1. | Surplus - Ex. 184 E - comprising taxes, 5% tax, plus amount transferred to City General Revenue: | 415,965.00 | 329,267.00 | 745,232.00 |
| 2. | Plant Extension Reserve Exhibit 202 E | 416,354.00 | 1,406,950.00 | 1,823,536.00 |
| 3. | TOTALS | 832,319.00 | 1,736,217.00 | 2,568,536.00 |

| | | |
|---|---|---|
| 4. | Gross Revenue of Electric Light Dept. as per 1953 Statement: | 4,437,842.00 |
| 5. | Gross Revenue of Power Plant as per 1953 Statement: | 3,553,074.00 |
| 6. | TOTAL COMBINED RESERVE: | 7,990,916.00 |
| 7. | Less: Revenue of Power Plant from Electric Light Dept. (Which, in effect is duplicated in Electric Light Dept.); | 2,719,513.00 |
| 8. | Effective Revenue from Consumer's point of view: | $5,271,403.00 |
| 9. | On Gross Revenue in 1953 of $5,271,403.00, Electric Light Dept. and Power Plant combined made a total of | $2,568,536.00 |
| 10. | Percentage of Profit based on Cost ($2,568,536.00 on $2,702,867.00) | 95% |
| 11. | Total Capitalization of Electric Light Dept. and Power Plant - combined - based on Exhibit 166 E - based on debt outstanding at Dec. 31st, 1953: | $3,577,178.00 |
| 12. | Annual Return in per cent based on capital debt outstanding Dec. 31st, 1953: | 71.7% |

13. Based on the Total actual Assessment of the two systems as per Resolution of Council at $5,000,000.00 (on which City actually taxes the System) the above sum of $2,568,536.00 represents 512 mills.

MR. DAVIES: Now, the next one is entitled: "Summary of Facts From Exhibit 211E (Power Plant only on Page 1), and Page 2 ( covering Power Plant and Water Supply and Purification Plant)".

Now, Exhibit 211E, sir, was the two page exhibit that gave us information quite unrelated.

THE CHAIRMAN: This is Exhibit 243E.

MR. DAVIES: I am a bit short on this one, too, sir; I can just let two copies of this go down.

DOCUMENT ENTITLED "SUMMARY OF FACTS FROM EXHIBIT 211E (POWER PLANT ONLY ON PAGE 1), AND PAGE 2 (COVERING POWER PLANT AND WATER SUPPLY AND PURIFICATION PLANT)" AS PRODUCED, IS MARKED EXHIBIT 243E AND PUT IN.

EXHIBIT 243E

Summary of Facts From Exhibit 211E (Power Plant only on Page 1), and Page 2 (Covering Power Plant and Water Supply and Purification Plant)

---

1. In 1953 gross revenue per K.W.H. sold was 1.04 cts. and gross cost of energy per K.W.H. sold was .373 cts.
2. In 1953 City Light Dept. bought 247,228,000K.W.H. from the Power Plant out of the total sales in the year by the Power Plant of 287,905,000 K.W.H., which amounts to approximately 86% of total power plant sales on energy basis.
3. In 1953 City Light Department paid to Power Plant a total of $2,719,513.00 out of total Power Plant revenue in 1953 of $3,000,572.00, which is approximately 90.7% of the total Power Plant revenue.
4. In 1937 Edm. Transit System bought 8,441,000 K.W.H. of energy at a cost of .85 cents per K.W.H., for a total of $71,751.00. In 1953 Edm. Transit System bought 11,060,000 K.W.H. at a cost of .80 cts. per K.W.H. for a total cost of $88,485.00.
5. In 1937 City Light Dept. bought 46,102,000 K.W.H. at a cost of 1.40 cts. per K.W.H. at a total cost of $645,000.00. In 1953 City Light Dept. bought 247,228,000 K.W.H. at cost of 1.10 cts. per K.W.H. at a total cost of $2,719,000.00.
6. In 1937 the price of water sold by Power Plant (Purification Branch) to City Water Works Department was $64.00 per million gallons; by 1953 the rate charged had increased to $100.00 per million gallons.

MR. DAVIES: Now, the next one is entitled:

"Comments on Exhibits 211E (Power Plant Cost per K.W.H. Sold, and Charges to Electric Light Distribution System) and 217E (which shows charges to different classes of consumers)."

Now, the object of this analysis of those exhibits is to try to measure the indicence of the utility taxation in respect to electric light, in respect to electricity.

This is Exhibit 244E?

THE CHAIRMAN: Yes, right.

DOCUMENT ENTITLED "COMMENTS ON EXHIBITS 211E (POWER PLANT COST PER K.W.H. SOLD, AND CHARGES TO ELECTRIC LIGHT DISTRIBUTION SYSTEM) AND EXHIBITS 217E (WHICH SHOWS CHARGES TO DIFFERENT CLASSES OF CONSUMERS)" AS PRODUCED IS MARKED EXHIBIT 244E AND PUT IN.

EXHIBIT 244E

Comments on Exhibits 211E (Power Plant Cost per K.W.H. Sold, and Charges to Electric Light Distribution System) and Exhibits 217E (which shows charges to different classes of consumers)

| | |
|---|---|
| Power Plant Cost per K.W.H. as per Exhibit 211 E, exclusive of taxes, 5% tax, and depreciation: | .373¢ |
| Power Plant Selling Price to Electric Distribution System as per Exhibit 211 E: | 1.10¢ |
| Electric Light Distribution System Average Charges per K.W.H.: | |
| (a) To domestic consumers: | 2.41¢ |
| (b) To commercial consumers: | 2.72¢ |
| (c) To small power consumers: | 1.91¢ |
| (d) To large power consumers: | 1.18¢ |

March 19th, 1955.

MR. DAVIES: Now, the next one is entitled:

"Comments on Exhibit No. 217 E which is an Analysis of Sales, Revenue, and Expenditures of Light and Power Distribution System".

And this Exhibit is related to measuring the incidence of utility taxation as far as electricity consumers are concerned.

THE CHAIRMAN: Exhibit 245E.

DOCUMENT ENTITLED "COMMENTS ON EXHIBIT NO. 217E. WHICH IS AN ANALYSIS OF SALES, REVENUE, AND EXPENDITURES OF THE LIGHT AND POWER DISTRIBUTION SYSTEM" AS PRODUCED IS MARKED EXHIBIT 245E AND PUT IN.

EXHIBIT 245E

Comments on Exhibit No. 217 E. which is an Analysis of Sales, Revenue, and Expenditures of the Light and Power Distribution System.

---

1. For year 1953 there were a total of 55,444 meters in use, made up as follows:

| | |
|---|---|
| Domestic: | 44,195 |
| Commercial: | 8,635 |
| Small Power: | 2,528 |
| Large Power: | 86 |
| Total: | 55,444 |

2. The domestic and commercial customers consumed 57.8% of the total energy sold by the System, for which they paid in 71.8% of the total revenue.

   The small power and large power patrons purchased 42.2% of the total energy and for this paid 28.2% of the total revenue.

3. The average revenue of the Department per K.W.H. in 1953 was 2.02¢, and distributed between the four different types of consumers it shows as follows:

| | |
|---|---|
| Domestic Consumer: | 2.41¢ |
| Commercial Consumer: | 2.72¢ |
| Small Power: | 1.91¢ |
| Large Power: | 1.18¢ |

March 19th, 1955.

MR. DAVIES: Now, the next one is entitled:

"Electric Light Department - 1953, Exhibits 184 E, and 203 E, and 166 E."

What will this be, sir? 246E?

THE CHAIRMAN: 246E.

DOCUMENT ENTITLED "ELECTRIC LIGHT DEPARTMENT - 1953, EXHIBITS 184 E, AND 203 E, AND 166 E", AS PRODUCED IS MARKED EXHIBIT 246E AND PUT IN.

EXHIBIT 246E

ELECTRIC LIGHT DEPARTMENT - 1953

EXHIBITS 184 E, and 203 E, and 166 E

| | | |
|---|---|---|
| 1. | Surplus - Exhibit 184 E - comprising taxes, 5% tax, plus amount transferred to City General Reserve: | $ 415,965.00 |
| 2. | Plant Extension Reserve - charged to Revenue - as per Exhibit 202E: | 416,354.00 |
| 3. | Total charged consumers in excess of cost of operation, maintenance, debenture principal and interest: | $ 832,319.00 |
| 4. | Gross revenue as per 1953 statement | $4,437,842.00 |
| 5. | On Gross revenue of $4,437,842.00 the profit amounted to: | $ 832,319.00 |
| 6. | Percentage of Profit based on Cost: ($832,319.00 on $3,605,523.00) | 23% |
| 7. | Capitalization of Edmonton Light Department based on debt owing at Dec. 31st, 1953, as per Exhibit 166 E: | $3,022,349.00 |
| 8. | Annual return in per cent based on capital debt outstanding Dec. 31, 1953: | 27.5% |

9. Based on the total actual assessment of the Electric Light System as per Resolution of Council at $2,500,000.00 (on which the City actually taxes the System) the above sum of $832,319.00 represents 332 mills

MR. DAVIES: Now, I want to suggest, Mr. Chairman, that Exhibit No. 230E, which was filed by the City, entitled:

"Table Showing Power Costs."

should be copied into the record at this stage because it was merely filed and was not put in the record.

TABLE SHOWING POWER COSTS

1.

| ITEM | 1937 | 1943 | 1946 | 1949 | 1951 | 1953 |
|---|---|---|---|---|---|---|
| Cost/kwhr. Generated | .817¢ | .758¢ | .638¢ | .711¢ | .603¢ | .488¢ |
| Cost/Kwhr. Sold | .871¢ | .814¢ | .693¢ | .753¢ | .628¢ | .513¢ |

2 In the costs appearing above for 1937, 1943 and 1946, the following items are included -

Operation, Maintenance, Administration, Taxes, Renewals Reserve and Debenture Charges. 1937 costs also include $4,000 for standby power. The Renewals Reserve is replaced by Depreciation in the 1949, 1951 and 1953 costs.

MR. MOFFAT: Mr. Chairman, are these being copied into the record --?

MR. DAVIES: Yes.

MR. MOFFAT: -- or filed as exhibits only?

MR. DAVIES: The object is to get them into the record because of Mr. Menzies' short tenure here.

MR. MOFFAT: I don't see that that will make any difference to the tenure because we won't have copies for four days anyway -- or three days -- by the time the record is made available and that won't help on that point particularly; and there is not much point in having them in the record as such -- it runs that much extra typing in the record, doesn't it?

MR. DAVIES: Well --.

MR. MOFFAT: I have no objection, but I don't see anything to be gained by it.

MR. DAVIES: Well, if you haven't any objection, we decided we would put them in a few moments ago, Mr. Moffat.

THE CHAIRMAN: Have you got Exhibit 230E there?

MR. DAVIES: Yes, sir.

THE CHAIRMAN: It wasn't in the record?

MR. DAVIES: It had previously been marked but it is not in the record.

MR. MOFFAT: There is this other problem, Mr. Davies: if they go into the record as they stand, then it will be necessary to ask for some explanation of some of these terms, to be put in the record along with them, because, for instance, the term "taxation" has been used a good many times in this thing, to cover a lot of things we would never agree was taxation, because --.

MR. DAVIES: Well, of course --.

MR. MOFFAT: -- it includes all these items of reserve and capital items and the item which corresponds to the return on investment which certainly we would never agree to be under the general heading "taxation".

MR. DAVIES: Take for example, Mr. Moffat, take on the question of where the surplus of the City has been used, it is the surplus for those utilities as recorded in the exhibit that the City has filed.

MR. MOFFAT: Yes.

MR. DAVIES: And we put it in the record yesterday that that refers to the 5%; it includes the surplus under the City's own record; it includes the 5% tax and any amounts transferred to the general revenue of the city for relief of taxation.

MR. MOFFAT: Yes, but you see, I wouldn't ever agree that the total of those items is anything to be compared with the taxes paid on Northwestern Utilities. The tax paid on Northwestern Utilities is quite a different animal altogether from something that takes tax plus reserves plus provision for capital costs and so on, and adds those all together -- if you are going to compare that with anything in Northwestern Utilities then you have to compare it with tax plus reserve plus capital in Northwestern Utilities.

MR. DAVIES: Well, as you know, Mr. Moffat, it's very difficult to find out what the utility taxation is in Edmonton, because there is no fixed rate, and nobody knows what it is; so that all the

MR. DAVIES:(Cont.) Commission is left to do is to take these exhibits and take the commodity of cost and the consumer is charged up with all debenture interest and principal payments and operation and maintenance and depreciation, and these exhibits only take what is left; and I think it makes that clear.

MR. MOFFAT: Well, if what we are doing here is saying: this is the excess which is available after current operating costs -- which I think is basically what we are doing -- then, that's all right; but then you can't call it "taxation", and if you are going to compare it with Northwestern Utilities, then, you have to compare it with what Northwestern Utilities has available after current operating costs --.

MR. DAVIES: Well, Mr. Moffat --.

MR. MOFFAT: Which is the point I wanted to get on the record.

MR. DAVIES: Mr. Moffat, when you were examining the witnesses of the M. D. of Strathcona, and the School Division, the Secretary-Treasurer, on their budget, you were very quick to pounce on every item of capital expenditure that was in their budgets that was being charged against current revenue, weren't you?

MR. MOFFAT: Yes --.

MR. DAVIES: And that is all that is done here.

MR. MOFFAT: But that was revenue which was coming to them as a result of funds that they were collecting by a mill rate levied against property. Here you've got money which is being made available to the City because of the fact that they have over

MR. MOFFAT:(Cont.) a period of years invested a lot of money in capital plant, and it is a return on the plant: it's not necessarily taxation. Now, you may want to make a definition that says part of that is the equivalent of taxation, but the whole thing is not taxation; whereas in the case of the municipality or school board, where its only source of revenue is the mill rate, then everything that is there is part of the tax.

MR. DAVIES: Well, since the utility owners themselves, the patrons of all these utilities -- not the property owners as such -- since the patrons of the utilities have put up every cent that has gone into these utilities, and pay all the operating costs and maintenance and depreciation, whatever investment is there has been created by these very people that are now being taxed.

MR. MOFFAT: Yes, that's true enough, but if I invest $1,000.00 in some business and I earn some profit on it, it has been created by my making the investment, and the citizens of Edmonton over a long period have invested some money and have made some profit on it;and it's very good profit and everybody is pleased to see it's a good profit and everybody hopes it continues to be a good profit, but that doesn't say it's tax.

MR. DAVIES: Well, I would disagree with you there as to whether they hope that they will continue to tax themselves, to make a lot of money out of themselves; however, might I suggest this, out of this dilemma -- is this -- is that you have all these exhibits,

MR. DAVIES:(Cont.) and if the City wishes to submit to the Commission a memorandum taking any objections to what conclusions have been drawn from the exhibits which the City has itself filed, would that not cover this situation?

MR. MOFFAT: Well, I think that's possibly the way to do it; I see some detail things, just looking at this quickly, that I would like to mention as well; but the thing that is concerning me at the moment is: I don't want these to get into the record here without anybody objecting to them, because then they may be interpreted by some people as being accepted facts, when certainly as far as the City is concerned we are not prepared to accept these as facts at this stage --.

MR. DAVIES: Well, they are all --.

MR. MOFFAT: And secondly we are not prepared to accept the interpretations without stating very strongly the reasons why things have been done this way, and the reasons for advocating that they should continue to be done this way -- or at least that the City Council should have the right, continue to have the right to decide for itself whether they will be done this way.

MR. DAVIES: Well, there is no objection I am sure that any member of the Commission has to the City submitting any memorandum they wish. All the information that is in here is taken off the exhibits the City has filed; and it may just be a disagreement as to what conclusions are drawn from it.

THE CHAIRMAN: Mr. Moffat.

MR. MOFFAT: Yes sir.

THE CHAIRMAN: Will you be content -- perhaps before I ask the question I should preface what I am going to say by this remark: if necessary the Commission can sit tomorrow, but we sort of had the notion that we would conclude this afternoon. Now, if, in order to make it -- oh, that's right: I am reminded that the reportorial staff is otherwise engaged tomorrow so I better go ahead with my question as I was originally going to ask it: will you be content, then, so far as you can tell from this cursory examination, to file a statement with the Secretary of the Commission taking whatever time is necessary for you to prepare this, which the Commission can have before it to consider along with these documents when we get to the point of sifting evidence? Can you then forego the opportunity of asking Commissioner Davies other questions than you can think of asking him this afternoon and so in some way let us get to a -- resolve this situation in some such way that we can look forward to a conclusion?

MR. MOFFAT: Sir, that was almost an invitation to cross-examine one of the Commissioners, and we could hardly miss that opportunity.

(Laughter.)

THE CHAIRMAN: I see, well, I --.

MR. DAVIES: It would really be a very great pleasure on this subject, sir.

THE CHAIRMAN: Well, Mr. Moffat, I didn't intend to extend such an invitation. My only intention was that he might be asked questions for purposes of clarification.

MR. MOFFAT: Mr. Chairman --.

THE CHAIRMAN: However, if you content yourself with not examining the Chairman, why, the rest of them can look after themselves.

(Laughter.)

MR. MOFFAT: Mr. Chairman, the main concern that I have is already taken care of by what has already taken place here, and that is to get onto the record along with these documents the fact that we are certainly not prepared to accept them on face value without a much more thorough examination, particularly of the interpretations; and secondly, to get onto the record a strong statement of the position that whatever is to be done with utilities, since the ownership of the utilities and the capital and the taxation all are provided by the people of the City, therefore this is a question for decision by the Council, and that the future Council which is responsible for the area should not have its hands tied --.

MR. DAVIES: Of course, the thing --.

MR. MOFFAT: -- in dealing with it for the future. Now, that is the attitude which I want to be sure and get recorded in as far as this discussion goes.

Now, as to the discussion of the individual items, I see two or three points of detail just in a quick look that I think we should draw attention to, and that could be easily enough done by a memorandum.

MR. DAVIES: Mr. Moffat, you weren't here yesterday, but I think that all this conversation was prefaced by the statement that these calculations that are made, all from the City exhibits, are based on cost, on the cost factor being what the cost would be if these utilities were operated on the original principal of public utilities, namely, service at cost -- and the taxation is measured beyond that point.

MR. MOFFAT: Yes, but you see, that is the point which I don't think was in agreement. If you are going to do service at cost you are going to have to in some way put in provision for capital, either by putting it in the first instance --.

MR. DAVIES: All right, Mr. Moffat, I would agree with you to that extent: I would agree with you to that extent that the difference there would be the service charge for the capital, and it is a very easy thing to calculate because a million dollars repayable over twenty years at 2½%, which is the rate you borrow from the Province at, makes an amortized annual payment over twenty years of a little over $64,000.00; and I would admit that these calculations, to the extent that they run into millions on capital expenditure could make a difference in the profit based on cost of around $64,000.00 annually in carrying charges for twenty years, which is on money you borrowed at 2½%.

MR. MOFFAT: For each million dollars?

MR. DAVIES: For each million dollars, yes; and my further submission would then be that that is infinitesimal in terms of the total.

DR. HARRIES: Mr. Chairman, we have only one question: the basis of the exhibits that have been put in is the cost, and I am not aware that anywhere on this record is there evidence that the costing procedures used by the City in connection with its utilities is in anywise comparable to the costing procedures that are used by privately owned utilities; and I have in mind certain minor items which show the difference; for example, I am certain that there is not one cent of Commissioner Menzies' salary that is charged against the utilities, nor of his office expense. On the other hand it might be useful for the Commission to find out the extent to which utilities are charged for certain items such as the disruption to traffic when they are laying new sewers, the additional police which would be charged against the utilities; what about the repair of street --.

MR. DAVIES: Have you got a formula? Could I interrupt you Dr. Harries? Have you got a formula that any City could usefor charging up the police force as to how much it should cost for disrupting traffic, for putting up some signs and re-directing traffic; is it seriously suggested that that should be done in the City accounting system?

DR. HARRIES: I am seriously suggesting that if there are differences between the costs the City makes to its utilities, as compared with the cost that it would charge a private utility, that then if you are going to base any argument on cost, those things should be taken into consideration. I am not suggesting that the City can or should allocate the cost of this one item,

DR. HARRIES:(Cont.) police charges; but if they do in connection with private utilities, then if we are going to talk on the basis of cost, I would submit that those are items that should be taken into account. I don't know; I am just asking whether it has been established that the costing procedures are comparable, because it seems to me if they are not, then an argument based on cost might suffer certain imperfections.

MR. DAVIES: The last comment in respect to entry of exhibits, Mr. Chairman, was that certain exhibits should be copied into the record.

THE CHAIRMAN: This new one is Exhibit 247E -- well, which one did you want?

MR. DAVIES: Well, we had Exhibit 230E and the next one I suggest should be copied into the record is Exhibit 232E, and it is entitled:

> "The City of Edmonton Electric Light and Power Distribution System;K.W.Hr.Consumption Rates and Energy Costs For Street Lighting."

This exhibit indicates what the Electric Light and Power Distribution System charged the City for street lighting, and the consumption in the years 1937 to 1953.

1-M-41
Exhibit 232E



THE CITY OF EDMONTON.

ELECTRIC LIGHT AND POWER DISTRIBUTION SYSTEM

K.W.HR. CONSUMPTION, RATES

- and -

ENERGY COSTS FOR STREET LIGHTING.

| YEAR | RATE ¢ K.W.HR | K.W.HR. CONSUMED | TOTAL ENERGY COST |
|---|---|---|---|
| 1937 | 1¢ | 2.425.119 | $ 24.251.19 |
| 1943 | 1.37¢ | 2.931.765 | 40.165.18 |
| 1946 | 1.37¢ | 3.371.241 | 46.186.00 |
| 1949 | 1.37¢ | 3.817.401 | 52.298.39 |
| 1951 | 1.37¢ | 4.733.663 | 64.851.18 |
| 1953 | 1.37¢ | 5.518.867 | 75.608.48 |

Metropolitan Commission - request for information -

Dated March 7th. 1955.

THE CHAIRMAN: You have no more exhibits?

MR. DAVIES: No, sir, that's all. Now I will proceed with Commissioner Menzies.

THE CHAIRMAN: Yes, all right.

Q MR. DAVIES: Mr. Menzies, yesterday you had before you those two somewhat substantial exhibits on the utilities; I don't suppose you have copies there today, have you?

A No, I haven't.

Q There is Exhibit 184E - that deals in utility surpluses and deficits, if any, since 1903 to 1953 inclusive; and Exhibit 203E is the one dealing with utility reserves and debt and so on.

I am referring now to the exhibit we marked 238E - that was one we had a few moments ago.

A Yes.

Q And in an endeavour to measure what the utility taxation is in the City, this exhibit relates to - takes the combined surplus as per City Exhibit 184E, of $2,056,000.00, and then from Exhibit 203E takes the amount that was levied on the utility patrons in 1953 for capital purposes, $3,382,000.00; we total that at $5,438,000.00; it shows that the total real property and business tax levy in 1953 was $12,179,000.00.

Then it indicates that in 1953 the utility surplus and transferred to reserve fund combined, represents 44.66% of the total 1953 levy, or the equal of 23.44 mills of the total actual tax levy in the year 1953.

A Yes, that's right.

Q Now, on the basis of those figures furnished by the City, then, there was taken from the utility patrons in 1953, $5,438,000.00, either by way of surplus or by way of capital expenditure levy, and that was the equal of 44.66% of the total 1953 levy on real property.

Now, there is a further statement below: it says that based on the total actual assessment of the five utilities as per resolution of Council, of $10,500,000.00, on which the City actually taxes the five utilities, the above sum of $5,438,000.00 in item 3 represents taxation of the five utilities at the rate of 517 mills.

MR. MOFFAT: Mr. Davies, we just can't agree to have this go in, I don't think -- in the form -- it is based on figures that are simply prepared for other purposes, and not in any way suggesting that those are taxes; we can't agree that they are taxes, and when we have this statement coming back and coming back:"this is based on City figures" -- it was City figures all right, in the sense that it was a tabulation of figures, but the City never agreed to say that those were the equivalent of taxes.

MR. DAVIES: They are the equivalent of taxes, Mr. Moffat, in terms of the utility system being operated at cost.

MR. MOFFAT: No, they are not.

MR. DAVIES: Except for the cost of borrowing the capital.

MR. MOFFAT: Which would possibly represent something in the neighbourhood of two and a half to

MR. MOFFAT:(Cont.) three million dollars per year. If your figure is $40,000,000.00 investment --.

MR. DAVIES: I am afraid that as a Member of this Commission I couldn't agree with you on that, Mr. Moffat. That isn't the way the Gas Company is taxed in Edmonton. The Gas Company's assessment in Edmonton in 1953 was $3,200,000.00.

MR. MOFFAT: That was the assessment, sir, that wasn't the rate base.

MR. DAVIES: I realize that, but this Commission has to measure what the incidence of utility tax is in Edmonton, and if the City of Edmonton can't give us any rates, and don't levy their utility taxes by way of a rate, we have to take, as I see it, what assessment you fix on these utilities and look at how much the utility owners received from it, and say, well, for what it's worth that's the way we can measure in terms of cost.

MR. MOFFAT: Yes, for what it's worth, you can measure it that way, but it isn't worth very much, that's the point.

MR. DAVIES: Well, I don't --.

MR. MOFFAT: And the thing I must object to very strongly, very strenuously to, is the repeated reference: these are figures provided by the City; because these are figures provided by the City for another purpose entirely, and there was nothing suggested in those figures that this would be in any way a measure of tax.

This was a breakdown of the total revenue, and the purposes to which it was assigned in

MR. MOFFAT:(Cont.) the books of the City; and the City's books have been set up -- we have covered it a good many times -- on the basis of allocating certain things to this pocket and allocating certain things to that pocket. It wasn't intended and never was intended as a proper accounting system that would serve as a basis for a rate base application; it wasn't intended and never was intended as a proper accounting system for a rate base application of a public utility type.

There would be many, many other items go in there as costs, and there would be this major item of -- for raising capital,and there would be a decision as to what is to be done for the item equivalent to the corporation tax, that a private company would pay.

The B.N.A. Act says that the municipalities are entitled to exemption on corporation tax, therefore it is entitled to keep that money.

MR. DAVIES: I would take issue with you very seriously on that point, Mr. Moffat, that a city running a utility should be able to charge in its rates to its patrons an amount equal to what the Dominion corporation tax is of 50%; we would just disagree on that.

MR. MOFFAT: Yes.

MR. DAVIES: Very violently.

MR. MOFFAT: We would, but the fact is that it is one of the calculations that would have to be taken into account; and I want to object very strongly to these being quoted as City figures, and then being interpreted as a proper measure of tax.

MR. DAVIES: Well, you are not objecting, Mr. Moffat, to that being quoted as City figures, as I understand it, because the City gave them to us. The first figure on this Exhibit 238E says:

"Combined surplus as per Exhibit 184E."

MR. MOFFAT: Yes, combined surplus.

MR. DAVIES: All right; now, then, what does that mean in terms of 184E? The City gave it to us. It represents the 5% tax on the utilities, it represents the transfers to reserve fund -- that's what it represents.

MR. MOFFAT: Yes.

MR. DAVIES: And if the utilities were operating at cost on the original public ownership principle, then this $2,056,748.00 from Exhibit 184E, would represent the amount of money that was extracted from the patrons over and above cost.

MR. MOFFAT: No, no; because there would be other items in cost, and there is the point. This represents the money available in excess of current operation, but there are a lot of other items in cost besides current operation.

MR. DAVIES: Well, if there are, Mr. Moffat, the utility patrons have paid them before this $2,056,748.00 was taken off: operation, maintenance, depreciation -- all that has been taken off on the utility statements before this $2,056,000.00 figure was arrived at.

MR. MOFFAT: Well, they have paid them in the sense that they have invested the money, yes, and they are entitled to a return on what they have

MR. MOFFAT:(Cont.) invested.

MR. DAVIES: Well, all I can say, Mr. Chairman -- I don't find fault with Mr. Moffat for being agitated about what the figures show, and if the City will file a brief with the Commission and they have registered their objections to the conclusions that are drawn from these figures, I think that's about all we can do -- is leave it there, that's all.

THE CHAIRMAN: That will be very agreeable to the Chairman of the Commission.

MR. DAVIES: You see, Mr. Moffat, there are further things involved. You made a submission a few moments ago that this is -- in short your submission on behalf of the City is that this is the Council's own business, isn't it? How they are going to run their utilities --.

MR. MOFFAT: It's the business of the people of Edmonton, through their elected representatives.

MR. DAVIES: All right; well, then, I would come back at you and say this: it is part of the reference of this Commission to study and make a fact finding report on the administration and financing of school and municipal services, and the form of government in this area -- or in these areas. Now a very serious question at this stage has risen in my mind as to whether or not the City of Edmonton utilities shouldn't be operated by a Public Utilities Commission. There is a serious thought in my mind to whether or not the utility rates of the City of Edmonton should not be subject to review by the Board

MR. DAVIES:(Cont.) of Public Utility Commissioners. I would like also to point this out: that the evidence yesterday was that over 45% of the people in Edmonton are tenants. The evidence yesterday also was that tenants as a group are not in as high income tax brackets as people who are property owners. There is also evidence that if you want to be on the City Council that you have to own property; so, therefore, if these utilities which serve patrons of which practically half of the population are tenants and people in lower income groups, if they don't own property they can't get on the Council, and they haven't any chance of controlling Council's policy in respect of utility rates, so therefore the property owners on Council, in effect, under the existing system, sit on Council, decide what the real property mill rate is, decide the mill rates -- decide the utility rates of the utilities and how much they will have the utilities -- indirectly, albeit somewhat subtly -- contribute to the real property rate, and nearly half the patrons of these utilities haven't any say in it at all; so I don't submit myself to the argument, to the conclusion at this stage -- I'm not forming any, but I certainly don't submit myself to the position that the City Council should be the final arbiter of the utility rates in Edmonton and the property rates at the same time, when there is no provision, no representation on the City Council for about half of the patrons.

MR. GARSIDE: Mr. Chairman and Members of the Commission, we don't of course in any way deny

MR. GARSIDE:(Cont.) to the Commission the right to make such inquiry as it deems fit, and we want them to do so. We would like, however, the right to put in such explanation as may be necessary.

There is one matter, however, that you have mentioned that I would like to make a note about now: you spoke about the 45% tenants having no right -- it has always seemed to me a point at which I personally, as a municipal officer, disagree with in the high level of government, and although we take the situation with regard to the Dominion or the Province, all persons are entitled to vote whether they are property owners or not -- if they are residents over a certain age and have certain qualifications.

Now, that is perfectly true of the City of Edmonton and the residents who are not property owners, have a perfect right to join each year and either elect or not -- or help to elect or not that particular Council, and with a percentage of 45% of the total they have a very, very large influence on who are going on Council, whether or not they can vote on money by-laws or not. Now, I would just like to point that out to you, and that sense the City --.

MR. DAVIES: Oh, I agree --.

MR. GARSIDE: Is in the same position as the Province and --.

MR. DAVIES: I agree with what you say there, Mr. Garside --.

MR. GARSIDE: -- the Dominion.

MR. DAVIES: I agree with what you say there,

MR. DAVIES:(Cont.) Mr. Garside, but for example I would like to draw to your attention: in the Province of Ontario as you know the bulk of the electrical energy in Ontario is handled by the Ontario Hydro-Electric Power Commission. Now, then, in practically every city in Ontario -- I should say practically every city in Ontario gets its electrical energy from the Ontario Hydro-Electric Power Commission. Now, in every city of over 60,000 population they have what is known as a Municipal Hydro-Electric Commission, and that Municipal Hydro-Electric Commission entirely manages and operates distribution of electricity in the municipal centre. Is the Municipal Hydro-Electric Commission in each city in Ontario over 60,000 population subject to domination by the City Council? No! The Municipal Hydro-Electric Commissions in Ontario -- one is appointed by Council, one of the membership of that Commission is elected by the public,and a third one is appointed by the Ontario Hydro-Electric Power Commission.

Now, I mention that to show that there is thought somewhere else that perhaps public utilities can be run in some other fashion than they happen to be in the Province of Alberta at the present time,and it is an inherent part of the Ontario system that the municipal Council has not got control over the public utility of electricty within the boundaries of the municipality.

Now, it's quite within the province of this Commission that if upon examination of the utilities the Commission arrive at the conclusion

MR. DAVIES:(Cont.) that the utilities in this Province either should be subject to Board of Public Utilities' control or that a public utilities commission should be set up in Edmonton and Calgary, it would be quite within the province of this Commission to recommend that.

MR. GARSIDE: Yes sir, I don't deny that at all.

MR. DAVIES: And that is something that possibly the Commission may have to examine.

MR. MENZIES: May I ask a question?

THE CHAIRMAN: I beg your pardon?

MR. MENZIES: Would it be in order for me to ask a question?

THE CHAIRMAN: Yes.

MR. MENZIES: Do you know if the same --.

MR. DAVIES: In Ontario, Mr. --?

MR. MENZIES: -- in Ontario, if the same practice applies to water distribution as to power?

MR. DAVIES: I can't answer that, Mr. Menzies. Now, I haven't got the exhibit number marked in the copy that I have left; it is the one dealing with the Gas Company, Northwestern Utilities.

MR. MOFFAT: Comments in respect to --.

MR. DAVIES: Yes, that's right.

MR. MOFFAT: 239, is it?

MR. DAVIES: Yes.

Now, just in short, because we are pressed for time in view of Mr. Menzies' departure at noon, the first portion of this exhibit indicates

MR. DAVIES:(Cont.) what was taken from an exhibit the City filed with us at our request, 206E, and shows that in 1954 the Gas Company paid $22,000.00 in land and improvements tax; $169,600.00 in plant tax; $287,000.00 in 5% revenue tax -- so the total the Gas Company paid the City was $478,686.00; and the plant tax of $169,600.00 was arrived at by paying 53 mills on the plant assessment of $3,200,000.00; and the 5% revenue tax represents 5% on the gross revenue of $5,741,000.00.

Now, it is a matter of common knowledge that the Gas Company franchise tax is 5%, and this exhibit 239E endeavours to measure what would have to be collected from the Gas Company by the City if the Gas Company were taxed, if gas consumers in Edmonton were taxed at the same rate in 1954 that the City patrons of the five utilities were taxed in 1953.

Now, again this figure is carried forward: combined surplus from the City exhibit for the five utilities '53, from Exhibit 184E, $2,056,000.00; and from 203E, what was transferred to utility reserves, charged to revenue $3,382,000.00, $5,439,000.00; and on the basis of the total 1953 assessment as on the assessment roll of the City for the five utilities at ten and a half million -- that works out to 517 mills.

Now, I will expect throughout the rest of the day that Mr. Moffat will shake his head, but those figures are multiplied out, and they are very simple of calculation, and they are

MR. DAVIES:(Cont.) measuring the taxation in terms of service at cost.

Now, if the Gas Company were called upon to pay 517 mills on its assessment of $3,200,000.00 on plant, the Gas Company taxation would be $1,654,000.00, and since the total taxes actually paid by the Gas Company were only $478,000.00 it follows that the gas consumers would have to have a further tax levied on them amounting to $1,175,713.00, in order to put them on the same -- in the same position as near as we can measure as the five utility users.

Now, if this additional taxation were levied against the gas consumers in 1954, and if such extra taxation were to be accomplished through increasing the 5% revenue tax, the 5% revenue tax would have to be increased by 20.44%, and would have to become 25.44%.

Now, I am not suggesting this should be done, but I do suggest that this is one way, by taking the five City utilities of 1953, and comparing it with the Gas Company, of how we can measure what the taxation -- or if Mr. Moffat doesn't like "Taxation" -- how much is charged in utility rates to the five City utilities in terms of what would happen to the Gas Company; and then I want to ask Mr. Menzies a question. Mr. Menzies, it is this: if there is to be a utility taxation in Edmonton on a large scale such as is the case on the five City owned utilities, what is the justification for exempting the gas consumer at the expense of the other consumers of utilities, for example, electricity?

A I think my answer to that would be that the policy over the years with respect to the City's utilities was more or less arrived at on a basis of the problems that arose at the time. I have seen it over the last nine years. Different problems arise each year at the time when the mill rate has to be struck. On one occasion I recall the Government -- in order to get certain Government grant we had to be sure that our mill rate didn't go up more than so many mills. If it went up more than so many mills that grant was not available to us; therefore, to make sure we were eligible for the grant we therefore had to -- the policy was to take more of that type of revenue. Now, that maybe wasn't the right way to do it, but the fact remains that in order to become entitled to do so some step had to be taken, and maybe the problem became accentuated on that account.

The same thing, I think, could sometimes apply to arrangements on hospitalization.

Now, you have also noticed that -- I haven't had a chance to study it and no one to whom I have talked on the School Board seems to know the answer yet, but there apparently is another arrangement coming in on school finances this year by which the mill rate has got to be held to 25 mills on school. Well, now, just what effect that is finally going to have on our mill rate I don't know until we have had a chance to study it; but it may mean that again we are in a problem and the only recourse to take advantage of the grant will be some kind of arrangement such as has been done in the past.

A (Cont.) I am not condoning it, but I am saying those are the circumstances, and that is what had to be done in order to fit in; and I don't see -- and I think the attitude of Council has been that they have been following a practice in municipal operation all over the world, and I know of instances -- when you say that many utilities, or at least, public utilities are supposed to be operated at cost and there is no profit, I know of instances in England where that is not the case --.

MR. DAVIES: Excuse me, Mr. Menzies, I didn't say that; what I did say was that in these calculations, in the absence of having any other way to do it, taking the public utilities as being operated at cost for the purpose of measuring what was charged above cost, -- I concede that there's two different theories, and I am not suggesting for a minute that the City of Edmonton-- if the City of Edmonton wishes to operate its utilities on a private property basis, and not on the original public utilities principle -- I am not suggesting for a minute that the City of Edmonton isn't entitled to do it. I don't suggest that for a moment, but I have suggested however that if that is the way the City is going to operate that maybe some consideration should be given as to whether or not the rates of the City, then, should not be subject to control by the Board of Public Utility Commissioners, that they might well look into all the ramifications of what the private operation is. That's all.

A Well, I didn't intend to imply that you were doing much more than you seem to think I thought, but the

A (Cont.) point that I was trying to make was that I don't think that Edmonton by any means is unique in its practice of using -- charging rates in excess of what will just meet current cost, and using the excess to -- upon which to finance; because I know of many, many instances, both on this continent and in England, where the practice of doing what the City has been doing is very common.

I recall reading or being told, not very many years ago, down in the City of Chicago, or in the area surrounding Chicago, rather, the City of Chicago does the water treating from Lake Michigan, and retails its water, retails water out to the municipalities around, the water going far inland in many cases -- and many of the cities, I understand -- I heard in one case that they almost financed their whole city operation on the profit on the water. They buy it from Chicago and they resell it on their own setup, and they set the rates high enough that they almost did all their financing for the city without any mill rate at all.

I know it's common in Britain and the point I am trying to make: I don't think the City is unique in this practice.

MR. DAVIES: I think every Member of the Commission would concur in what you say, Mr. Menzies, and we are aware of it; and I would go a step further and say that at the present time in the United States I think that some 25 states in the Union now have their utility rates subject to control by the equivalent of our Board of Public Utility Commissioners. We have

MR. DAVIES:(Cont.) the figures on it, and I think that's what it shows, that about 25 states control the municipally owned utilities through a public rate fixing body.

A To get back to your question: you asked me if I thought it was fair to treat the City utilities on one basis and to treat the Gas Company on another basis.

MR. DAVIES: Right.

A That was fundamentally your question.

MR. DAVIES: Gas consumers.

A The gas consumer; but the point was that your contention, or at least you were asking me if it was fair to overcharge the users of the City utilities to a greater proportion than the Gas Company has to pay.

MR. DAVIES: That's right,

A Well, I would have to say that -- it's a hard question to answer because I have seen the problems as they arise from year to year in Council, problems that have come before them, and that has seemed the 'out'. I have got to concede that it could be carried to a ridiculous extreme. I don't think it would, but it conceivably could. I am not wholly answering your question, I realize that.

THE CHAIRMAN: Well, the answer is in the final analysis --.

A It's in the lap of Council.

THE CHAIRMAN: -- that the Council set the policy, and that's what I have been thinking about all the time that this discussion has been going on. If this Commission thinks it is within its province to recommend

THE CHAIRMAN:(Cont.) that the Council have some other policy -- which I don't think it is -- but if it is then we can arrive at that conclusion; but in the meantime I am satisfied that the people elect the Council, the people -- all the people, with the exception of very few -- and the Council sets the policy. I don't think you as a Commissioner have to defend it; I think it is the policy of the Council.

Now, we are going to adjourn for ten minutes.

(At 11:00 a.m. this date the Commission stood adjourned until 11:10 this same date and reconvened.)

PROCEEDINGS AT 11:10 A.M.

MR. DAVIES EXAMINES THE WITNESS:

Q Mr. Menzies, when we adjourned the question had been asked what justification was there, if any, as to why utility patrons of the five city utilities should be taxed by way of utility taxation any differently than the gas consumers were, and you answered that as best you could?

A Yes.

Q And, as I understand it, the explanation is, well, roughly it is this: that we have under our control those five utilities and we have to determine the rates and so according to what the exigencies of the particular occasion or time is?

A That's right.

Q And that reflects itself that way, whereas as far as the gas consumers are concerned, the only tax that is in there as far as the city is concerned is the 5% tax and plant tax.

A There is one other point that I have never been able to understand it personally, but I know it to be the fact nevertheless. People seem, if you went to a man and said "I will reduce your utility rates and by so doing, and increase your taxes through the mill rate a comparable amount", the average person to my way of thinking is dissatisfied. Moreover, he begins to say "Why, mill rate of 60, 65 or 70" or whatever it would have to be to compensate for that reduced money, it seems to have some psychological effect on people and they look at the mill rate rather

A (Cont.) than at the figure that is at the bottom of the yellow slip that says how much your taxes are. I have never been able to quite follow that, but I know that to be the case nevertheless.

I should also like to point out for your information, if you take the -- I happen to have the current estimates of Calgary for 1954, and it's just for your information. They received as a result of special franchise taxes in Calgary, and that's from the gas company, the sum of --

Q No, not from the gas company.

A No, well, from the --

Q There is no 5% tax on gas.

A No, I'm talking about their total revenue, in other words, they agreed amongst themselves that they would set their assessment higher than we have done, but I wanted to just give you the total amount as between the two cities.

Now, they paid in 1954 $571,625.00, and we in Edmonton as a result of our -- of the two of them are not very greatly out of line. You have the actual figure. In other words, I know what has happened, that the gas company knows roughly what they feel is fair, and they work with the total rather than with the segregated parcels, and the effect in the end result is practically the same proportion in both places. In one case it's 5% and in the other case it's a combination -- no, I beg your pardon, in our case it's a combination of 5% and land; down there it is straight land but on a much higher assessment and to a much higher agreed assessment than is the

A (Cont.) case here.

Q Would you mind telling the Commission how was the new assessment for 1955 of four million four hundred thousand on the gas company determined?

A It was just a, it's a discussion, I believe, it's not one that I had, but I believe that was done between the Mayor and Mr. Tweddle negotiating between them and Mr. Yorath, and we went to them and said "We don't think it's high enough and it should be boosted", and he came back and said "We are prepared to go to four four for this year", it was a negotiated increase.

Q Was that assessment negotiated at approximately the same time that the renewal of the gas franchise was negotiated?

A Just about the same time, I believe, I wasn't a party to the negotiations.

MR. GARSIDE: I think, sir, I might say something in that connection, it is not at all in contradiction with what Commissioner Menzies has said, but this relates back to perhaps three or four years ago when it was, shortly after Assessor MacDonald arrived from Winnipeg and the question of the gas company assessment came up and, of course, as you know, we have to assess property at the fair actual value, and he wasn't satisfied that the amount of the assessment against the gas company was the fair actual value, so the representatives of the gas company were called in, and I happened to be present, and at that time with considerable reluctance on their part the assessment was then increased.

MR. GARSIDE: (Cont.) Now, this last assessment will be on the same basis of trying to determine the fair actual value.

A And that is consistent with what I am just saying about Calgary, I am sure that the investment in Edmonton is at least as much or more than in Calgary. We are serving more customers, and you notice what they have agreed to in Calgary just, I quoted to you a minute ago, four million seven hundred and sixty nine thousand, and that was in 1954.

Q MR. DAVIES: This Exhibit 242 -- 238 that I referred to, Mr. Menzies, indicated that in 1953 that the utility taxation measured in terms of cost and including capital expenditures charged against revenue was the equivalent of 23.44 mills of the total actual tax levy. Did you know that ex-Commissioner Hodgson when he gave evidence before this Commission, if I remember correctly, that he made an estimate of somewhere around 20 mills in his evidence, do you remember reading that?

A It was equivalent to 20 mills?

Q Yes, that if the city didn't run the utilities the way they are running them, that it might make a difference of around 20 mills in the real property rate.

A I don't recall his saying that.

Q Do you remember, Mr. Moffat?

MR. MOFFAT: No, I remembertheh discussion, but I don't remember what the figure was. I do remember that he suggested it would make a very big difference in the property rate.

Q I think that he said that if the city didn't operate the utilities the way they are being operated, that the mill rate would be somewhere in the seventies? I will locate the reference at noon. I presume that if Commissioner Hodgson said that, that there wouldn't be much quarrel then about what that exhibit shows, would there, Mr. Moffat, or would there still be?

MR. MOFFAT: Yes.

Q I see, all right, thank you. Now, Mr. Menzies, the difficulty has come up now, or, a difference has come up now that gas consumers are not taxed at the same rate as other city utilities, and if that is so, that means that a person who has an electric range as against one who has gas, would it be a fair conclusion that the person who has the electric range indirectly is paying more taxes than the person who has the gas range?

A No, that wouldn't necessarily be so because we have, generally where you have a gas range you get the advantage of a special rate, so that you can't arbitrarily say, make that statement.

Q Right, now, to go on from there, what would you think of a system, you told us yesterday that you thought that as a principle of taxation it was desirable that people should know what their tax rate was, generally speaking as a principle of taxation, what would you think of a system in Edmonton such as this on its utilities, that if the city wished to set up its utilities on a private property basis,

Q (Cont.) let the city set up the utilities on a private property basis and do away with the 5% tax on gas and do away with the 5% tax on the utilities, and then if necessary amend the City Charter so that the city would have power to levy a tax on the utility consumers as such, at such rate as it wanted to levy, whether it was ten or twenty or thirty or forty percent, and then the utility owners, you could treat all the utility owners the same or you could treat them differently, and then the people would know how much tax they were paying. What objection would there be to a system such as that?

A I think the effect would be the same in the end as long as you set the ten or twenty or thirty or forty percent to produce what the revenue that is needed.

Q From an accounting point of view it would be a little more complicated because the tax would have to show in terms of the bill, wouldn't it, but from the point of view of the consumer, he would be tax conscious, wouldn't he, because he would know how much his tax was, just like he knew it when the Dominion Government levied the utilities tax during the war?

A Well, that's quite true, I wouldn't argue that point.

Q And then if a system like that were used, it would then be possible to, for example, treat gas and electricity the same, wouldn't it, consumers, because you could levy the same tax on them.

A If we had the enabling Legislation, yes. We haven't it now though, have we? We would have to have special enabling legislation to do it in respect to the

A (Cont.) gas company.

Q I haven't looked into that, although my recollection is that sometime last September that there was a report in the Edmonton Journal in which you had made comments on what the capital program looked like in the future, that the city might have to resort to a utility tax. Do you remember such a report?

A No, I don't recall ever seeing that.

Q I thought I had seen it?

A No, I think you must have someone else.

Q It came from the Civic Block anyway.

A That may be.

Q I thought it was you?

A That's one of the problems we have, people give information out who shouldn't give information and we are always apologizing for their misstatements.

Q As a matter of philosophy, Mr. Menzies, who do you feel owns these utilities, the utility system in Edmonton?

A I think the city.

Q What does that mean, does that mean. the real property owners or does it mean the utility patrons?

A I think the utility patrons in that they are supporting the thing, they have the interest in it.

Q Has the city at any time ever given any consideration to setting up the utilities in Edmonton under a Public Utilities Commission?

A I have never heard it discussed.

Q As a matter of policy now would you mind telling the Commission, how are the utilities administered, for

Q (Cont.) example, do the heads of the different departments meet periodically all at one time and altogether or, for example, do they just go into the Commissioner's office when something comes up, or how are they managed now?

A Well, I am the intermediary, I should say, I would say between them and the council, but each year when we bring up both our capital estimates and our current estimates, each superintendent appears before council to discuss his budget with council and they are acquainted with what is proposed for the year. Periodically during the year we hold what we call, we have what we call a utility panel, on which panel all the utility departments are represented, and we sit and discuss our policy with respectto extensions and policy in general, and as a result of those meetings we arrive at a general policy and I generally carry that policy to council through a Commissioner's report.

Q How many times would that group be likely to meet in a twelve month period?

A Ten times a year in the average, I would say. I would like you to be clear in one thing, that primarily that is more from an operating standpoint and from a construction capital standpoint than it is from discussing the question of rates, and the question that is before you here, because the superintendents more or less assume that the policy with respect to financing is dictated by council and they have to fit their plans to that.

Q I'm not going to be able to go over all these exhibits with you, but I would like to go over the one marked

Q (Cont.) 244E.

A Excuse me just one moment, if you wanted me to come for an hour this afternoon, I can come from two to three, if that will help you any?

Q No, I think we will modify it and let you go at twelve as we indicated yesterday that we would.

Now, this is comments on Exhibit 211E, power plant costs for KWH sold and charges to electric light distribution system, and Exhibit 217E which shows charges to different classes of consumers.

Now, the power plant costs, this is what it states, per KWH as per Exhibit 211E exclusive of taxes, 5% tax and depreciation is .373 cents. We have another exhibit that shows that if the 5% tax is included, that the cost is around .50, isn't it?

A That's right, 5 mills.

Q Now, the power plant, those are the power plant costs. Now then, the power plant, according to this exhibit, sells, selling price to electric distribution system as per 211E, Exhibit 211E is 1.10 cents?

A Right.

Q 1.10 cents. Now, I want to refer now to the electric light distribution system average charges per KWH as shown by this exhibit.

To domestic consumers 2.41 cents; to commercial consumers 2.72 cents; to small power consumers 1.91 cents, and to large power consumers 1.18 cents?

A Yes.

Q So it is obvious from this exhibit, Mr. Menzies,

Q (Cont.) that the city electric light distribution system sells power to large power consumers at .08, is it? Yes, .08 of a cent more than what they pay for it to the power plant.

A It's bought at one one and it's sold at one one eight, is that what you are saying?

Q Yes, it's one one eight according to this exhibit, so, certainly as far as the electric light distribution system, the large power consumer, there isn't any profit much being made out of them, is there?

A Correct.

Q And, of course, if that profit is not being made out of them, then it is down to the last three consumers, small power consumers; commercial consumers, and domestic consumers?

A That's correct.

Q And the spread between the cost of production per kilowatt hour at the power plant exclusive of the 5% tax at .373 cents, gets up to 2.41 cents per kilowatt hour in the hands of the domestic consumer.

A That's what the figures show, yes.

Q Well, they are right, aren't they?

A They are right, at least, I haven't had a chance to check the averages, they have evidently taken the average consumer in arriving at that.

Q What they have done, Mr. Menzies, under that exhibit is they took four different classes of consumers?

A Yes.

Q They took domestic as one class; commercial as a second; small power as third and large power

Q (Cont.) as a fourth?

A And they tried to presumably take an average?

Q They took the total consumption of each of those classes and they took the revenue on the exhibit from each of the four classes and determined the average kilowatt amount that was received per KWH from each class?

A I see.

Q I think you would agree that the spread from the power plant actual cost of .373 cents to the domestic consumers of the electric light distribution system at 2.41 cents is a very, very substantial spread, isn't it?

A It is.

Q What is it in terms of percent?

A Well now, you haven't subtracted from that, from that 2 point whatever it is, the costs of running the electric light department, have you?

Q No, this is purely on the question of rates, this exhibit.

A All right, but I don't think that you have got a fair picture unless you do realize what is back of that. You are comparing a big user with a small user and so on. Now, obviously it costs proportionately much more to service a small house in proportion to the number of kilowatt consumed per annum than it does to do a large plant. It's a well known fact that that is the situation, and that is why you get the lower rates appearing for the large consumers, but that is a little bit off the beam.

A (Cont.) To come back to what you have asked me, you are quoting the power being generated at .37 and being sold at 2.41. I am saying that it isn't fair to say that all that spread is profit.

Q I'm not suggesting it is, Mr. Menzies?

A No, there is quite a bit of that is taken up in operation and maintenance of the distribution system, but you are taking the most extreme case. I feel it should be considerably less than that, but I still have to concede that there is a good profit being made on the operation.

Q Now, we have another exhibit here, 232E that shows the cost, shows the price at which the electric light distribution sells electricity to the city of Edmonton for street lighting?

A Yes.

Q And that rate has been constant since 1943. It was raised from one cent per KWH to 1.37 cents in '43, and it is still there?

A Yes.

Q And presumably that cost is charged against the property owners as part of the general city budget?

A That's right, recovered through the mill rate.

Q What is the justification for charging large power consumers 1.18 cents and charging the city street lighting department 1.37 cents?

A I think the same answer as I gave you a minute ago, that the cost of a street lighting distribution when it, when you take the total cost of that and divide it by the number of kilowatts used, and as you realize,

A (Cont.) it's only a fraction of the day that the lights are in operation, it's going to show a much more expensive operation in terms of kilowatts then the other, and therefore the justification for the rate.

Q On the other hand, that principle hasn't been followed in fixing the rates as between domestic consumers and the commercial consumers, has it?

A No, it hasn't.

Q So it isn't a constant principle that you are enunciating to the Commission in the way of fixing rates, is it?

A No, I'm not arguing that.

Q All I am trying to obtain is information, and the commercial consumers who consume in terms of consumption a lot more energy than the domestic consumers actually are paying a higher rate than the domestic consumers.

A That's true, that's also true in telephones, both us and the Provincial Government. We pay more for an office phone than you do for a home phone.

Q There is one thing about commercial consumers, they would be entitled to charge that up in their income tax and that would have the effect of reducing the rate again as long as they were operating at a profit, wouldn't it?

A Yes, that's why the Mayor of Halifax said one time, argued he would like to put everything on, put the mill rate up very high on business property because they are getting compensation in the income tax and the Dominion Government is paying for it.

Q I want you to turn, if you will, to 241, that is power plant, 1953, referring to Exhibits 184E and 203E and 166E.

According to that City exhibit 184, the surplus in respect to the power plant in 1953 which is made up of taxes, 5% tax, plus amount transferred to city general reserve of $329,267.00.

A Right.

Q And the amount that was taken out of current revenue at the power plant for plant extension reserve was $1,406,950.00?

A That's right.

Q And Item 3 states "total charged consumers in excess of cost of operation, maintenance, debenture principal and interest" $1,736,217.00?

A Yes.

Q The next item shows that the gross revenue was $3,553,000.00, and the next item shows that on the $3,553,074.00 the profit amounted to $1,736,000.74. Now, as far as I know that's all based on cost, the difference between furnishing the service at cost and what is it serviced at, with one exception, namely that there is no allowance there, for example, if the $1,406,950.00 had been borrowed on debentures, there would be a carrying charge on that debenture, on those debentures instead of taking it out of current revenue?

A That's right.

Q And if debentures are amortized over 20 years at 2½% in equal payments, the computation I have is that

Q (Cont.) the annual payment for 20 years is about $64,000.00 per annum, at 2½%.

MR. MOFFAT: I'm sorry, Mr. Davies, I didn't catch the figure as to how much you thought they were going to be borrowing?

Q Well, if instead of, let me put it this way, Mr. Moffat, if $1,406,950.00 had not been transferred to plant extension reserve, it would have been in the top figure.

MR. MOFFAT: Yes, but they wouldn't have been borrowing just that, they would have been borrowing that each year over a long period, you would have an accumulative total there, not just a one year figure.

A That has not been spent this year, that has been accumulated towards this generator that comes in at eight million next year.

Q Well, I notice in the exhibit that you have, Mr. Menzies, that the withdrawals from the plant extension reserve pretty well equal, have been in recent years pretty equal to what you are taking out?

A Pretty well, yes.

MR. MOFFAT: So that means that if you had gone on the other policy you would have accumulated over a period of seven or eight years, a million-four roughly per year which would have built you up to seven, eight or nine million dollars maybe.

Q On the other hand, Mr. Moffat, in point of fact, before the computation of this profit was made, included in the expense items are any payments on principal and interest of debentures.

MR. MOFFAT: Outstanding.

Q From the past.

MR. MOFFAT: Of those that are outstanding?

Q Right.

MR. MOFFAT: But that's the extent to which you did not follow the policy of paying out of current revenue as you went along. But if you had built your plant entirely out of borrowings, you would have been up on a cumulative total there.

Q Let's put it this way: if the $1,406,000.00 had not been used for plant extension reserve, the profit would have been that much more, and then if it had been borrowed on a twenty year basis at 2½% in equal payments, it would have set up a further expense item at the rate of about sixty four thousand for each million dollars. Now --

MR. MOFFAT: Mr. Chairman, there is a fairly major point involved in that thing, and I don't want to do what we did a little earlier if we can avoid it, but it is becoming more and more clear to me that if this subject is one for discussion, then we are going to have a major job on our hands here which is going to take us something in the nature of a couple of weeks of hearings.

Now, if on the other hand this is just general information on which the Commission is not proposing to make any real recommendation, then it's a different thing, but if we want to do a thorough job on utility regulations, then we have to start and do a job on utility regulations, which we haven't

MR. MOFFAT: (Cont.) done up to this point at all, and right on that very point of the effect of accumulation of capital over a period of years there is a very, very big subject for discussion.

THE CHAIRMAN: Mr. Moffat, I have felt as this discussion has gone on, that possibly in fairness you ought to have an opportunity to deal with some of the conclusions drawn by Commissioner Davies from the figures which he has analyzed, from the statements which have been filed and which he has analyzed. From this morning I had hoped that it would be possible for you to examine these and file a statement showing the city's point of view and wherein it took exception to the conclusions which have been drawn by Commissioner Davies.

Now, insofar as he has offered explanations and comments on his figures, I think in fairness you ought to have an opportunity to put forward your points of view. On the other hand, you appall me when you talk about the extent to which the hearings might be prolonged if this were done.

MR. MOFFAT: Well, it appalls myself, and that is the reason that I have been trying to avoid getting into this argument, but I think if we are going to get into the argument, we are going to have to do a thorough job. There is no use of doing a floating-along-the-top job, we have either got to get right into it or we have got to stay out of it, I am afraid.

THE CHAIRMAN: Mr. Moffat, this morning, Dr. Harries and Mr. Pollock agreed that they could get together and

THE CHAIRMAN: (Cont.) perhaps get the information that each, at least reconcile the points of view that they have, that they seem to be differing on. Now, I would like to see if it wouldn't be possible for you and Mr. Davies to agree on some kind of a procedure which would avoid an extended series of hearings.

MR. MOFFAT: You see, this very point that we just raised here as to what the financing charges would amount to if the alternative policy was adopted over a period of years, means a re-analysis of all these accounts over a period of six or seven years to see where it comes out. Now, in the long run the two policies average out at the same thing, the financing charges are either paid out of current or they accumulate to where the current charges to carry the existing debt is just about equal to what you are financing out of current, but it takes a long, long period to average itself out, and it takes a long job of getting the information balanced, but in a short run where you have been financing on one basis for several years is just like a family that is paying cash for their groceries and then suddenly they start paying at the end of the month, for that month things are very good. Now, to some extent this is what is happening here. We have been paying out of current and now it is suddenly being suggested that we would go to borrowing the money. Well, that's fine for a month, but eventually your payments on the installment account catch up, and that point has not

MR. MOFFAT: (Cont.) been brought out here at all, we haven't got anywhere, we haven't even touched the surface of it.

A Mr. Chairman, it may interest you to know that when we set up reserve accounts and then whether we spend current that year or whether they are accumulated and then spent in a large sum, we immediately set up a depreciation account in our books to write off that particular asset, and in 1953 we were setting aside $140,941.00 as depreciation, and we were also at the same time carrying $91,628.00 debenture charges, so that strictly speaking that is getting nearer to the figure that you were quoting to me a little while ago. There is 140 and 91, that's about $231,000.00 have to come out of that figure to look after carrying charges.

That may help you a little bit, and you can go back through the years and you can see what has been happening progressively, but that's the way the system is set up in the bookkeeping, and that should really come out of that figure before you begin talking profits, to my mind.

Q Of course, in respect to this statement, the power plant, the financial statement for 1953 of the city shows that at the end of 1953 the only debt left remaining unpaid to the power plant was $554,829.00, that was the debenture debt of the power house, the power plant as shown by those exhibits at the end of '53. Now, all that means, of course, is that --

A That's debenture debt though.

Q Yes.

A Yes, there is also the other debt in our books in which we owe money back to the reserve account which is amounting to, which last year amounted to $140,000.00.

Q I'm not just clear on what that figure is, Mr. Menzies, is that that the power plant spent out of the reserve account that amount of money more than what it had in the reserve account?

A No, it means this: that maybe they have a, maybe they have, say that they borrowed $8,000,000.00 or they have used $8,000,000.00 out of the reserve account to buy a generator and the accompanying steam equipment. We immediately set up in our books a system to repay that back to the Department itself rather than having to pay it back as debentures. Had it not been used that way, we would have to float debentures to carry the same thing, and we show, in order to keep our bookkeeping right, and we think that's proper, and our auditors have suggested that is the right way to do it, we accumulate one hundred and forty thousand plus ninety one to look after the total debt, part of which is debenture debt and part of which is repayment to the reserve.

Q Is there any suggestion, Mr. Menzies, that in the year 1953 that the assessment of the five utilities in the city on the assessment and tax roll other than the street railway, other than the transit system were out of line with the assessment of the gas company?

A Yes.

Q The 1953 assessment on the gas company was three million two hundred thousand, wasn't it?

A Yes.

Q And the 1953 assessment on the five utilities taking out the transit system of five hundred thousand was ten million, wasn't it?

A Yes.

Q And you say now that there is a suggestion that in the year 1953 that those four other city utilities other than transit were assessed lower, I take it, than the gas company?

A Relatively, yes.

Q I would like to direct this figure to your attention for what it is worth: in the year 1953 the combined revenue of the five utilities, gross revenue was sixteen million, wasn't it, approximately?

A Yes.

Q And in the year 1953 the gas company revenue was four million nine hundred and eighty one thousand, in other words, let's call it five million?

A Yes.

Q Now, the gas company had an assessment of three million two hundred thousand and a revenue of five million, approximately?

A Yes.

Q And the five city utilities had an assessment of ten and a half million and a revenue of --

A Sixteen million, sixteen odd.

Q Well, it's big enough to take cognizance of the extra, according to page 55 of Exhibit 11E, sixteen million

Q (Cont.) two hundred and eighty four thousand. On the basis of the revenue of the different utilities, I say, on the basis of the revenue does that make the assessment in 1953 of the five city utilities look badly out of line with the gas company?

A The thing that you are ignoring in making, in asking that question to my way of thinking is that a good deal of the gas company investment is outside the city limits, whereas all, I mean, they have got all their wells and all the rest of it, we can't tax them on that.

Q No, I appreciate that.

A And they have a lot more capital, capital represented by what is outside the city limits than shows in the figure you are quoting, whereas we have everything concentrated right in the City of Edmonton.

Q But what my question was this: now, I understood you answered me that in your opinion in 1953 that you thought that assessing those five city utilities at ten and a half million and assessing the gas company operation in 1953 at three million two hundred thousand meant that the, your submission was that the city was assessing its utilities proportionately, some degree of proportion lower than the gas company assessment?

A That's right, I agree with that.

Q Now, I have come back at you and, I am trying to make some measure of what you said?

A Yes.

Q And I am saying to you that the total gas company

Q (Cont.) revenue, using revenue as a measure of assessment, that the total gas company revenue in 1953 was $5,000,000.00, we have that in an exhibit?

A Yes.

Q And they were assessed three million two hundred thousand, and the combined revenue of the five city utilities was $16,284,000.00, and they were assessed at ten and a half million. Now, if you were to judge the fairness of the assessment of these, of the five city utilities on the one hand against the gas company in terms of their revenue capacity, it doesn't suggest itself, does it, that there is much disparity in the method by which the city, five city utilities have been assessed and the gas company is being assessed.

A I am of the opinion, I would have to sit down and confirm it by actual figures, but where I think you are losing out, if you are going to compare revenues and try --

Q I am trying to find some index to question your conclusion.

A I don't think you are paying enough attention to the fact that the gas company has so much capital invested in lines from here to Viking and in the well development and so on which doesn't -- and, therefore, that revenue is based on a much, on a combined system, whereas our whole system is inside the city limits.

Q But the part of the system that you are assessing when you put an assessment of three million two hundred thousand on the gas company in 1953, what you are doing

Q (Cont.) is assessing their plant within the legal boundaries of the City of Edmonton, isn't it?

A That's right.

Q That's all?

A That's right.

Q And you are not going down to Viking?

A No.

Q You are staying within the city boundaries. Now, I come back again to this point that, as I understood what you said was that you thought the five city utilities were assessed on a lower proportionate basis of ten and a half million in 1953 than the gas company three million two hundred thousand. I don't think Viking enters into this, I am not suggesting the gas company assessment should be more, that's none of my business, all I am suggesting is that if we want to measure whether or not the city has been niggardly in assessing its own utilities in terms of gas. Then, if you look at the revenue basis, the revenue wouldn't indicate anything other than possibly that the assessment at ten and a half million in 1953 of the five city utilities was pretty well in line on a revenue basis with the assessment on the gas company, that's all.

A I don't think I explained my point, I still think I am correct in stating that you can't use the revenue as the basis of comparing assessments because the revenue that comes to the gas company is not only on their distribution system in this city of Edmonton, but it is on the whole system and, therefore --

Q Excuse me, I am sorry, you are wrong, Mr. Menzies, I have taken the revenue on which they pay you the 5% tax, that's the only revenue I have taken.

A Well, of course, but that revenue has to pay for the distribution system, for the pipe lines and the wells to come in here and the capital charges and all that there has to be incorporated in those rates.

Q I'm not unmindful of that, but what I am still trying to find out, I will ask you this question: if the five city utilities in 1953 when assessed at ten and a half million were assessed on a lower basis proportionately, then the gas company, how much higher should they have been assessed at to put them in the same proportion?

MR. MOFFAT: Mr. Davies, I have been holding this copy of the transcript right here, Volume 33, page 4,104 which is the page at which that same discussion took place with Mr. MacDonald the City Assessor, and Mr. Robison asks him:

> "...considering the physical plants in the four or five utilities that the City own, the assessment could very reasonably be more than double the existing figure."

That's the reply, and then Commissioner Robison says:

> "Would you say that a figure of $25,000,000.00 total assessment would be an approximation that might be useful to work with?
>
> A. I believe twenty, I believe between twenty and twenty-five million could be fully justified by a detailed consideration."

MR. MOFFAT: (Cont.) And I think --

Q You will add that other evidence of Commissioner Tweddle, will you, of his conversation, now that at 60% it would be thirteen million?

MR. MOFFAT: Yes, the evidence that Mr. MacDonald told, that it would be quite easy to justify getting it up to thirteen million, but the point I wanted to make in connection with this is that if you are talking in terms of a realistic assessment, then this is the best evidence we have got of what a realistic assessment would be, and that should be taken into account in these various exhibits here of where you get the fantastic mill rates that if you go onto this, that one alone would cut those mill rates in half.

Q But isn't that assessment of what he talks about between twenty and twenty five million on the basis of 100%?

MR. MOFFAT: No, definitely not.

Q Isn't that in conflict then with Mr. Tweddle's evidence?

MR. MOFFAT: It might be, no, I don't think so, I don't think it was because, I'm not going to put in Mr. Tweddle's mind what happened, but this is Mr. MacDonald's evidence and this was quite definitely talking in terms of the realistic assessment.

Q Was he talking in terms of realistic assessment or the total value of the plant without taking sixty percent, Mr. Moffat?

MR. MOFFAT: He was talking realistic assessment.

Q Does he say that?

MR. MOFFAT: Yes, yes, very definitely, the question was:

"Have you any computation or a rough idea as to what a reasonable assessment might produce?"

THE CHAIRMAN: Well, at this point we will adjourn for the lunch recess, and, Mr. Menzies, we are very grateful for you attending and for the information you have given us.

A I could come for an hour this afternoon if you want me to.

THE CHAIRMAN: He says not.

A Thank you very much.

(At this point the Commission stood adjourned until 2:00 p.m. same date.)

PROCEEDINGS AT 2 P.M.

THE CHAIRMAN: Gentlemen, this sitting this afternoon will be used to clear up any remaining questions which any persons may wish to ask, including members of the Commission, and, I also want to make a brief statement as to the, with reference to the written arguments and with reference to the, what we expect will be an extended term of reference, if the action taken by the legislature results in that action on the part of the Minister or of the Premier or whoever has this in hand.

Now, we have no intimation of anybody being called as a witness for further examination or further statements but I am anxious that everybody should have the opportunity of calling to our attention anything which hasn't received in his opinion, sufficient consideration or been, the information been made quite specific enough. If there are no such questions then the session will be thereby shortened but in my anxiety to conclude these public hearings this afternoon that doesn't mean that I am not quite prepared to sit until 4:15 in order to do that.

Mr. Brownlee, I remember that yesterday you were seeking to get some information which Mr. Menzies was unable to give you and which I brashly suggested you might get from Mr. Moffat today. I think you were a bit skeptical of the possibilities of getting it but I thought I would encourage you at any rate to try.

MR. BROWNLEE: Well, sir, I have nothing more to ask in that connection. I was simply trying to get from Commissioner Menzies his position, his view with respect to 171 and I was doing that in the light of the question

MR. BROWNLEE: (Cont.) by Commissioner Robison, some time ago, to the effect that this represented the best opinions of the proper City officials.

THE CHAIRMAN: Yes.

MR. BROWNLEE: I just wanted to clarify, for the record, the understanding which we now have that Commissioner Menzies had no part in the preparation of Exhibit 171.

THE CHAIRMAN: Yes, and that is all that you wanted?

MR. BROWNLEE: That is all, sir.

THE CHAIRMAN: Somewhere I got the impression that you thought there was some, I am not sure of the number, but the pro forma budget, you took the ground that there was something that had not been included in that or had been, I think had not been with reference to the extension of the Public Works in the portion which might be included and that you hadn't got a very satisfactory answer as to whether that had been taken account of or not. Now, that is just my memory and I may be wrong in my interpretation.

MR. BROWNLEE: No, the information we had wanted we cannot get now by cross-examination. We had wanted a break down of the sanitary sewer costs in all of the new areas and also of the public utility extension costs.

THE CHAIRMAN: Yes, I see.

MR. BROWNLEE: In those areas.

THE CHAIRMAN: Very well.

MR. GARSIDE: There was a question, I think, that Mr. Brownlee, there was a question that you asked Commissioner Menzies in connection with the amount of the, the amount

MR. GARSIDE: (Cont.) which had been included in connection with the pro forma budget, or some budget, as to the capital works or current works in Strathcona, that part of Strathcona which would come into Edmonton.

MR. BROWNLEE: That is right.

MR. GARSIDE: Do you want to get him to answer that now?

MR. BROWNLEE: No, Mr. Menzies answered my question by saying that he didn't know, that he had no information on it.

I would simply point out, Mr. Chairman, that as far as the pro forma budget is concerned, submitted by Mr. Moffat, there is no extra engineering expenses shown for the area of the M.D. of Strathcona proposed to be added to Edmonton .

Sir, there is a point that I think possibly I might comment on. The question arose as to whether or not the study of the situation at Fort Saskatchewan that it was within the terms of reference of this Commission and at the time, as I recollected, Mr. Commissioner Blackstock indicated that he wanted to hear argument on that. Now, there has been no argument forthcoming and I think it only proper to point out that in our written argument we will take the position that Fort Saskatchewan is in fact not within the terms of reference of your Commission it was my understanding, I may be, maybe subject to correction but it was my understanding that Mr. Park was going to come back and bring argument as requested by Mr. Commissioner Blackstock.

MR. DAVIES: The position there, Mr. Brownlee, is that when the Commission had a private sittings last week that I was delegated to get in touch with Mr. Steer, Cameron Steer, the Solicitor for the Town and he was asked whether or not he had proposed, in respect to that second brief that was filed, which we gave a number to the first thing yesterday morning, he was asked whether they proposed to submit any evidence or argument and he said that all they planned to do was submit written argument on the question of jurisdiction and they were letting their revised brief, as filed yesterday morning, stand but he is going to make an argument on the question, a written argument on the question of jurisdiction . I think that is right, Mr. Chairman, isn't it?

THE CHAIRMAN: I think it is, I forget, was he speaking, he was speaking as the Solicitor, you say, for the Town or where did Mr. Park come into this? Is he part of Mr. Steer's organization?

MR. DAVIES: Yes, Secretary Treasurer, Mr. Moffat, isn't he, of the Town?

MR. MOFFAT: Mr. Park is one of Mr. Steer's partners.

THE CHAIRMAN: That is all right and I will --

MR. BROWNLEE: Sir, if I may speak further to the matter of Fort Saskatchewan. Doctor Harries has been drawing to my attention the fact that at the time that the representative of Fort Saskatchewan appeared he did present certain statistical information which I think was pretty well conceded by all concerned to be very very vague and indefinite and I think we were

MR. BROWNLEE: (Cont.) a little reluctant to cross-examine to any great extent because of the fact that the witness quite obviously didn't have specific information. Now --

THE CHAIRMAN: You refer now, Mr. Brownlee, to the Town Secretary, are you?

MR. BROWNLEE: Yes, sir. We thought that if they were going to return and take the position that the Commission had jurisdiction to deal with the question of Fort Saskatchewan that they should have returned in a manner which would have enabled us to say, all right, now that is to say give us definite information, let us definitely cross-examine you . We have reviewed Exhibit 233-E and speaking for Doctor Harries I know that he feels that it is entirely unrealistic and that great fault could be found with it. I am sure, I feel confident personally, sir, that the witness didn't have his, didn't have definite information at all.

THE CHAIRMAN: Well, then, Mr. Brownlee, you have heard what Commissioner Davies has said with regard to what Mr. Steer is planning to do, which, I take it is an argument on the jurisdictional side and you will bear that in mind, you say, and when you make your written submission you proposed to contest that point and argue --

MR. BROWNLEE: I do, I quite understand that, sir, I realize that we could enter into a written argument also as to the jurisdiction but if your Commission then accepted the argument put forward by the Town as

MR. BROWNLEE: (Cont.) to jurisdiction you would then, in all probability, accept the evidence contained in Exhibit 233 which we think, say is not proper evidence and on which we should have had an opportunity of cross-examining because we think that it contains an entirely erroneous picture.

THE CHAIRMAN: At this stage you leave me in a position where I hardly know what to say. I should have been very glad, as a matter of fact our purpose in having Mr. Commissioner Davies discuss this with the solicitor of the Town was not to invite them to appear but to suggest that possibly this particular statement would be of more value to the Commission if it were supported by a witness and specific evidence on which questions could be asked but Mr. Steer seemed to take the view that the only thing they wanted to say was on the question of jurisdiction. I don't know how that arose in the first place.

MR. DAVIES: Because he was asked about it, Mr. Blackstock raised the point as to whether or not --

THE CHAIRMAN: Oh, an argument on that.

MR. DAVIES: I would like to make this suggestion, sir, out of this dilemma, namely this, if this Commission assures Mr. Brownlee that if we rule that we have jurisdiction then, before acting on that brief as representing factually what it says it is, that we give you the chance to make representation concerning it that that would be satisfactory.

MR. BROWNLEE: That would be entirely satisfactory, sir, thank you.

THE CHAIRMAN: And we probably, having in mind the extended terms of reference, there probably will be a public hearing at which you will have due notice and at which time you can submit --

MR. BROWNLEE: Thank you, Mr. Chairman, that is very satisfactory.

THE CHAIRMAN: You were going to say something, Mr. Garside?

MR. GARSIDE: Yes, I would like to ask Mr. Moffat to go into the box again to clear up a couple of points arising out of the examination yesterday.

THE CHAIRMAN: Yes, if Mr. Moffat will do that then.

R. E. MOFFAT re-enters the stand on his former oath, examined by Mr. Garside.

Q Mr. Moffat, you are duly sworn ?

A Yes.

Q Sometime yesterday I believe there was, Mr. Brownlee referred to a statement which he believed you had made at a previous hearing to the effect that the information that you based the pro forma budget on was obtained from responsible officials of the City. In showing the pro forma budget --

MR. BROWNLEE: It wasn't that, I think the statement was that Commissioner Robison asked Mr. Moffat if it wasn't a fact that the pro forma budget represented the best opinions of the proper City officials and Mr. Moffat said that it did.

MR. GARSIDE: Having that cleared up, in asking Commissioner Menzies whether he had anything to do with the pro forma budget, when Commissioner Menzies saw it, when he looked at it he saw that most of the items in the estimated cost data concerned current.

A Yes.

Q Not capital and Commissioner Menzies said that he had little, if anything, to do with this particular preparation of that particular exhibit. Could you tell the Commission who had, who gave you the information upon which you based this exhibit.

A Well, the item of the annual cost and extra engineering works, that is the one item that appears down toward the bottom of the tabulation was based on the information which Mr. MacDonald the City Engineer made available to us, through his report, which is filed as Exhibit 29E and that was discussed very thoroughly both with Mr. MacDonald and the City Treasurer, he was in on all the discussions and the Commissioners. The other items, each one of them was discussed with the Superintendent of the particular department by myself and the City Treasurer and on the basis of that we came to a conclusion as to what we thought would be a reasonable approach and then the whole approach and I could just indicate the number of drafts through which Exhibit 171 went. There is one, two, three, four, five drafts before it was mimeographed and it was mimeographed three times in different stages. In each case the revisions were on a general discussion with the Commissioners.

Q (Cont.) Now, I cannot swear to the particular days when Commissioner Menzies was there and which days he wasn't there.

MR. BROWNLEE: Let me just interject.

A But they were discussed quite thoroughly.

MR. BROWNLEE: Let me interject a remark, Mr. Moffat.

A Yes.

MR. BROWNLEE: Commission Menzies made it quite clear that he had nothing to do with it at all.

A This document here, 171.

MR. BROWNLEE: 171, that is right.

A He, certainly, and all the other Commissioners were in all of the discussions, no, I wouldn't say all of the discussion but many of the discussions as to the approach. Will it be in terms of population? Will it be in terms of so much per capita for this? It was discussed, I would judge, probably five or six times in the Mayor's office and at each one of the discussions there were different ones of the senior officials present. Now, just which ones Commissioner Menzies was at I couldn't swear to it but my impression of it was that he was in on two or three of those meetings, not in the form of Exhibit 171 which was finally mimeographed, no, no but in the approaches, yes.

MR. BROWNLEE: Well, I will go further, Mr. Commissioner Menzies, as I understood him, stated that he had nothing whatsoever to do with the preparation of 171 and he came to that conclusion when he studied it and realized that it referred not to capital costs. Yes, he, in previous

MR. BROWNLEE: (Cont.) evidence he had said that he had participated in the preparation of that and he had approved it and we drew the statement to his attention and yesterday he said that he had had nothing to do with the preparation of it. Now, it seems, it seems to me that if Commissioner Menzies has stated that he had nothing to do with the preparation of that it is not quite correct to say that he did sit in with you and --

A Well, the fact is that he did sit in on it and that is all there is to it. Not on the final 171 as it is mimeographed but in discussing, is it reasonable? The Fire Chief says they will need so many new men, does that sound like a reasonable estimate? The Provincial City hospital is costing us so much per capita, would it be reasonable to think that for the surrounding area it would cost us so much per capita? And that discussion, as I say, there were four or five full discussions plus a great variety of discussions with various individual officials and he was in on some of those discussions, which ones I couldn't swear to, which particular ones but I know he was in on several discussions.

MR. BROWNLEE: You can't swear that he was and he swears that he wasn't that has nothing --

MR. GARSIDE: The main purpose is to find out who the officials were that had something to do with it?

A Yes.

Q It was the official, City Engineer ?

A City Engineer.

Q City Assessor?

A The City Assessor was in on the part that had anything to do with assessment. Mr. Bishop, the Superintendent of the Welfare Department, was in the part that dealt with welfare --

DR. HARRIES: School Board officials --

A Basically the Mayor, I would say, in respect to recreation and the Community services item and the hospital expenses because he gave us a fairly quick figure that it was costing so much per capita and everybody agreed that was a reasonable figure to apply to the surrounding area so we didn't go into any great detail on that one. I think that pretty well covers the group.

DR. HARRIES: No school officials?

A No school officials, we discussed that at some length before, no school officials took part in actual preparations, I covered the discussion I had with them as to the general approach at some length the other day.

MR. GARSIDE: Mr. Brownlee asked Commissioner Menzies another question and it had to do with the standard of service and I believe it dealt with the standard of service to be applied in Strathcona and as to what had been included in this budget with relation to it, that is the part of the District of Strathcona which will come into Edmonton if the Edmonton request is granted. Now, what have you got in this pro forma budget in that respect?

A Well, you divide that into two parts. First, the item of capital costs to bring the standards up to the standard

A (Cont.) in the City and the answer is nothing because the present standard is pretty well in line with the same types of areas in the City. There are no very heavily built up areas in there and so there was nothing extra put in for bringing up the standard to the City level.

Now, as to the current operations the calculation was not done in terms of that area as such, the calculation was done in terms of an over all approach to the whole area. The calculation was also done in relation to the over all approach to the City and Jasper Place and Beverly and if you subtract the two then the extra cost is the extra amount presumably that covers the Strathcona area and it works out at roughly 300 thousand dollars difference between the calculation based on the City and Jasper Place and Beverly as compared to the boundary proposed on this map, Exhibit 144 and that 300 thousand is just about the amount that were spent in that area last year, according to the best estimates we could get.

Q Does that include school costs too?

A Yes, includes, yes, the best estimate that I have been able to find of approximately what went for school costs, public works and other services in that area last year so that in other words it is an estimate that is about the same amount that is to be spent in there that were spent there last year.

Q Now, without going into the exhibits --

THE CHAIRMAN: Mr. Garside, before, I am not sure whether

THE CHAIRMAN: (Cont.) you are going on with, perhaps we, this should come in more properly but Mr. Moffat yesterday somebody asked, I think Commissioner Menzies the question, when the composition of the enlarged council was under discussion somebody asked if any computation had been made or any representation made as to what changes would take place in the size of the School Board, and, or the School Boards and if it was thought that there would have to be any restriction as to the areas which specific School Board members should represent. Did you comment on that in your former evidence?

A No.

THE CHAIRMAN: No, did you consult the School Board authorities at all with regard to that?

A No.

THE CHAIRMAN: We have no way of knowing them what their views are?

A No, that is one point that I completely have never consulted with anybody about.

THE CHAIRMAN: No, well, if they had a view they should have presented it then, of course.

A That was the theory that I was working on, I thought I had enough other things to get involved in without--

THE CHAIRMAN: Yes, when Mr. Menzies was asked yesterday I resolved mentally that when you got back I would enquire of you as having made a more general enquiry into all these problems than anybody else?

A No, that particular one I have never heard any discussion on it at all, even unofficial discussion, I haven't heard at all.

THE CHAIRMAN: No, excuse me Mr. Garside, yes, Doctor Harries.

DOCTOR HARRIES EXAMINES THE WITNESS:

Q Would it be convenient, I have one question in connection with the budget matter and would it be convenient to have that now before you proceed with something else? I understood you to say, Mr. Moffat, that you, in your opinion, the City should contemplate spending roughly 300 thousand dollars in the industrial area if it was brought into the City, that is 300 thousand dollars a year?

A Yes, that this, I put it this way, I tried to keep this distinction in all these things, not that I am suggesting this is what they should spend but that estimates have been prepared on the assumption that they would spend a certain amount and the assumption here was about 300 thousand dollars.

Q About 300 thousand?

A Yes .

Q Then, may I ask you this question. During the first sittings of the Commission you placed on the record certain estimates of costs for the enlarged area?

A Yes.

Q And as I remember that evidence you suggested that to bring Jasper Place and Beverly up to the standards of the City of Edmonton it would cost, in addition to the

Q (Cont.) money that is already being spent in those areas, approximately $750,000.00?

A That is right, yes,

Q Well, that is still your opinion?

A Yes.

Q Fine, thank you.

A Approximately, I have juggled the figure and readjusted it slightly but that is approximately.

Q That is a fair figure to use if one was going to make a gross estimate?

A Well, no, that is a combination of two things it is the extra cost over and above what is being spent in there plus the small reduction in revenue as compared with the present revenue that is in there for general purposes but roughly it is a correct figure of the extra costs which would be involved over and above revenue which could come out of the area from applying the present City mill rate to the assessment in Jasper Place and Beverly.

Q So that it is your evidence then that the extra costs of the enlarged city would be one million and fifty thousand dollars?

A Approximately that is the increase -- Now, wait a minute -- yes, that is right.

Q Thank you.

MR. GARSIDE EXAMINES THE WITNESS:

Q Without going into the exhibits which were filed this morning by Commissioner Davies I understood you to say --

A Mr. Garside, I wonder if I could just add a little bit more on to the answer of Mr. Harries. It is important to be exactly clear on the definitions there. Now, in the one case that 750 thousand is the difference between expenditure and revenue in Jasper Place and Beverly, in other words it is the net figure but the three hundred thousand for the Strathcona area is the gross figure so that you have got to be careful there, when you add those two figures together you are adding one net and one gross. When you take the two gross figures it is approximately one million five for Jasper Place and Beverly plus three hundred thousand for the Strathcona area which makes a million and eight and then because of the revenue that is roughly 750 thousand in Jasper Place and Beverly you come back to the figure I just quoted you, it is a little slippery there because in one case you are talking net and in the other case you are talking gross.

Q I was referring to the exhibits filed by Commissioner Davies --

A Yes.

Q In talking to you a moment ago I understood you to say there was certain arithmetical corrections that had to be made to one or two.

A Yes, I thought we should draw attention to it at this stage. On two of these exhibits, 237-E and on 242-E there are changes made in ink to the items entitled Percentage of Profit Based on Actual Cost has been

A (Cont.) recalculated to give it a higher figure and the same change should be made on two of the other ones.

MR. DAVIES: When they were originally typed out, Mr. Moffat, that percentage calculation was figured on gross?

A Yes.

MR. DAVIES: You no doubt discerned that the change was made --

A Yes, there are two other ones where the same thing was done, the change was not made.

MR. DAVIES: I will tell you what happened on them, they were made on the originals and weren't made on the copies.

A That may be so, 241 and 246.

MR. DAVIES: Thank you very much, they were made on the originals.

MR. GARSIDE: Have you any other observations you care to make to the Commission as a witness.

A Well, I don't want to open up the discussions of this morning but I thought it might be worth while making one comment on this thing of the utility board control of a publicly owned enterprise. There are two of us in this room who have had a good deal to do with the Board of Railway Commissioners, Doctor Harries and myself have both been in it for about eight years, almost now. The issue arose there very sharply in relation to the C.N.R. which was a, was and is a publicly owned enterprise and when the Board came to establish a rate base for the purpose of applying the

A (Cont.) usual public utility regulations to determine the level of rates they found it was just impossible to use the C.N.R. because of the great difference in the way the financial structure was made up as compared to a private company. There are several judgments, I cannot give you the citations but I know there are several judgments in which they express the reason why they were not able to use the C.N.R. and why they had to concentrate entirely upon the privately owned C.P.R. as being the only one of the two under which the ordinary public utility regulations principle could be applied. Now, I don't want to elaborate it but unfortunately I cannot give you the citations and decisions but their conclusion was very definite that a publicly owned enterprise, in the field of Public Utility regulations was something that had to be treated completely different from the ordinary principles established for utility regulations, particularly for the type of utility regulations as, that is applied in the United States.

Q Could you give a little more, give some of the principles and reasons why they disregarded the C.N.R. type of -- was it because it didn't show capital expenditure properly or what?

A Their capital expenditure was quite different, their financing was almost entirely by bonds and the amount of their bonds were related to the convenience of the Treasury Department and how they would set the bonds up and exactly the same kind of discussion we have had

A (Cont.) here and how much would be by loans and how much would be by provision out of accumulated reserves and in the case of the C.N.R. the taking over of the old bankrupt railway companies certain amounts of bonds were written off and assumed as a liability of the Government and certain of them were left as a liability of the railroads but it was purely an arbitrary division and taking the different items into account still it was an arbitrary division of the same sort that is involved in the utilities here.

Secondly, there was no question of return on the investment in the usual sense of the word because the publicly owned railway was just operating a railway for the services of the community and not trying to earn income to carry on its activities.

Thirdly, there was nothing comparable to income tax, the privately owned system had to deal with that item and it had to be taken into account.

Fourthly, the question of surplus or, as the railway Commissioners called it "something to come and go on", that is to improve the system, they felt that they had to allow a fairly substantial surplus. They allowed something like over 15 million as a surplus over an above other requirements to the privately operated road but they had no yard stick comparable with that in the Government operated road. Finally, and possibly more important of all, if a private enterprise is to continue to operate as a functioning utility it has to make enough to cover all these costs and to cover the capital items

A (Cont.) and to accumulate some capital for future expansion and if the rate level is cut down to bare costs on a Government owned enterprise they would simply squeeze the private enterprise out of business so they took the attitude that they would have to set a rate which would allow privately owned enterprise to function and that would then serve as a ceiling , so to speak, on Government enterprise, it could not go above but the rate structure was not based on the requirements of the publicly owned enterprise.

MR. DAVIES: I might say, Mr. Moffat, that they have solved that in Ontario, very simply, on the municipal hydro commissions in that the general rule is that they allow them to have about 8% by way of surplus to put into, carry forward, just for the things that you are talking about and that is approximately 8%.

A Yes, they have in the --

MR. DAVIES: Anything over that manifests itself in a reduction of the rate ?

A Yes, they have, in the Ontario Hydro Legislation, as I understand it, they provided that it shall be service at cost and then they have set out a fairly elaborate tabulation of what constituted costs and they put all these various items in under cost heading. Their real problem, if you read the legislation, it is fairly clear , their real problem there was to try and get the rates up high enough, they were afraid the pressure would be to cut the rates too low and that public opinion would push management to the

A (Cont.) direction of a rate cutting and therefore lead into trouble and the legislation was designed to make sure that costs was defined to include enough of these extra items to give any effective resistance to that kind of pressure.

MR.GARSIDE: Your answer there may have some bearing on the question I am going to ask you now. Yesterday, I stated that I had talked to you in connection with Public Utilities Board matter and that I thought you had told me that the Utility Board allows, to some extent, the pay-as-you-go principle in fixing rates. Now, could you deal with that.

A Well, it is explicitly recognized by the Transport Commissioners, in this 15 million dollar item that they put into their C.P.R. calculations as something for additions and betterments and they then changed the name a little later and called it surplus but it was an item and they argued it very strenuously when it was appealed to the Federal Cabinet and the Federal Cabinet upheld it as a proper item to be included and that the C.P.R. should cover all these things and in addition accumulate out of current operations that much toward capital improvements. Now, that is pretty general in utility regulations and it has particularly become general in the last few years as the capital cost of items have become larger. In some cases it has taken the form, not of a surplus shown at the bottom of the account but as an extra depreciation reserve so that your depreciation reserve becomes, not just the amount

A (Cont.) there to recover the dollars originally invested but comes to where it becomes a method of accumulating enough money to replace the item when it has served its useful life so that sometimes it is in one form and some times it is in another. Now, to go more generally outside of the field of public utilities it is the established method of financing and practically the most universal method of financing that we have now, is the plowing back of profits, a relatively small amount of our capital in private enterprise, generally is borrowed money, some of it is new capital equities but a very large proportion of the total savings in the country in the way of investments are in the form of accumulated earnings held back for future capital use.

MR. DAVIES: Mr. Moffat, the amounts that are transferred to the City to relieve the general taxes aren't profits that are plowed back for the benefit of the particular utilities within the term of what you are discussing now, are they?

A Well, not the part that is transferred to the general City but a big part of those items that we talked about this morning is tax, they are items that are put into capital extension reserves and those are strictly plowed back items. That is one of my objections to the use of the term tax as representing a total of those items. That particular one is definitely plowed back earnings and then you have got another group that is truly tax and then you have got another group which

A (Cont.) represents return on equity to the people who own the investment.

MR. DAVIES: Could I ask you this, supposing that the City decided to build the, build the City Hall and levy in it a mill rate for any one year would you think the people of Edmonton would think they were being taxed ?

A Yes, and I think it would be a good idea to do it that way. I know an awful lot of municipalities, particularly rural, that have done just that.

Q What is the difference then, Mr. Moffat, between that illustration and the illustration where large sums are taken out of current earnings in the utilities and used for the purposes of capital extensions ? Now, what is the difference between that, calling it taxation and calling building the City Hall, all in one year, by special levy of three million two hundred thousand dollars that goes on the real estate.

A Well, there is a great difference because in one case you are creating a facility which will be for the use of the community where you cannot collect charges for the cost, or the use of the thing. In the case of a power plant you are creating a facility which does have a method of collecting money for its services, it makes a charge of so much per kilowatt for the power that goes out. It is in the method of distributing the use that is taken out of the asset. There is a great difference between a so called self sustaining utility that produces a product that you can sell and

A (Cont.) a dead weight utility, or a dead weight item which is producing a utility that you cannot sell. A bridge. You can't sell the services of a bridge very well.

Q Would you agree that from the point of view of the person upon whom the tax is levied there isn't any difference because he has to pay it and shell it out.

A There is no difference in that he has to pay it, sure, except in some cases he pays it in proportion to the amount of real estate he owns and in the other case he pays it in proportion to how much use he gets out of the asset, but he has to pay, surely. I think it is a fundamental distinction that has to be kept in mind, the difference between a service which is of such a nature that you can charge the public when they use it and a service which is of such a nature that you cannot effectively charge the public.

Q Would you agree with this, that this would be another difference, Mr. Moffat, that if the City levied on the taxpayer in Edmonton for three million two hundred thousand dollars in one year to build the City Hall and when the taxpayers have paid on the bill of three million two hundred thousand in their tax bill that it is through with and that property is not going to be put on the assessment roll and they are not going to be levied more taxes on top of it again, whereas, in the case of the utilities after being levied for the amount of capital requirements, say, for three million in 1953 that the poor utility patron finds himself in the

Q (Cont.) position of after having paid it that then, all it serves to do, apparently, is to invite the City to increase the value of the utility for assessment purposes to extract more tax again?

A No.

Q That is a difference again, isn't it?

A That is the difference, I don't agree with the adjective "poor utility user" because I think the utility user would prefer to have it that way. I think the evidence is pretty clear that the residents of the City prefer to do it that way and it is a choice that they can make. It is true enough that it is being used as a way of collecting some revenue with the full knowledge of everybody concerned and with the blessing of a great majority of them, I think. In the other case you can't use, in our set-up, a bridge or a sewer or a City Hall as a way of collecting revenue. It might be a good idea if you could figure out some way of doing it but they haven't been able to do it.

MR. HAYES: Mr. Moffat, you said that various city officials were sitting in, do I take it that the Mayor was sitting in on most of the discussions that were taking place on behalf of the City?

A In quite a few, yes, not, I wouldn't say most, no, yes, probably more than half but certainly he has been very closely involved in everything, particularly everything of a, anything of a policy nature.

MR. HAYES: That is fine.

MR. DAVIES: I have no more questions, sir, but I do want to thank Mr. Moffat for drawing that calculation to my attention. I might say, I would just like to tell the reporter, because he may have got the copy, the changes were all made on the original and I didn't know that there was going to be a distribution of them all around and for the reporter's information item, Exhibit 241-E, under item 6 should show 95.4% and Exhibit 246-E under item 6, should show 23%. Now, it may be that the copies that the reporters have got, had the change on the subsequent copies but I am not certain.

(The Witness Retires.)

THE CHAIRMAN: Mr. Rimstad, it may take us perhaps 11 minutes to finish, will that be all right?

THE REPORTER: All right, sir.

MR. MOFFAT: Mr. Chairman, there is one thing I wanted to say, this might be as good a chance as any. I was thinking of doing it at the end of the Hearing but, the end being rather indefinite I think I might like to take this opportunity, if I could, and that is a word of very real appreciation to the City officials because they have cooperated 100%, 150% on everything that I have had any reason to request them to do. I came in here last August, a complete stranger, and some of you may have some idea of how nervous I was the first day I started in on this thing and I found, right from the beginning, the very best cooperation and the very highest standard of public service through-

MR. MOFFAT: (Cont.) out the whole staff and I have been very strongly impressed with the very fine job that they are doing and with the good relationships among them, which impressed me most of all, because I know other cities where there is a certain amount of internal bickering that doesn't help in the administration. Here, I have been particularly pleased to see the high standard of cooperation, both with each other and with anybody that comes from the outside and asks for some assistance and I wanted to say that very sincerely at some stage and I thought this might be a convenient place to do it.

THE CHAIRMAN: I think the Commission would be very --

MR. MOFFAT: I might say, could I just add on that that I refer to the City officials because they are the ones I have worked with most closely but that extended out to wherever I went, both with school officials, the Provincial people and the Municipal officials of the surrounding areas, we had our differences of opinion, once in a while but it has been, it is the very highest standard in terms of getting accurate information and getting information we wanted.

THE CHAIRMAN: I am sure the Commission is particularly glad to have that statement because it will be of interest to us when we are considering all the evidence and the conclusions we are going to reach.

Mr. Garside, I would like to ask this, now, this isn't the formal closing of this Hearing but I am, you may recall when we , a week or so, or ten days ago, I said

THE CHAIRMAN: (Cont.) that in the event of the legislature passing a certain resolution which was before it, and which we thought might have received consideration earlier than it did, I asked you if you thought the City would be likely to have opinions which it would want to put before the Commission. You recall that?

MR. GARSIDE: Yes, sir.

THE CHAIRMAN: I think you said that you thought you could state, without hesitation, that the City probably would have views.

MR. GARSIDE: Yes.

THE CHAIRMAN: Now, I am telling you that the Commission has not, of course, everybody here is aware of the action taken by the legislature, however, this Commission has not yet received any additional or extended terms of reference . I am introducing this in this round about way because I want to get to, get to ask you just for an opinion and it seems to the Commission that there, I am now, in the absence of having specific terms, remember, but it has seemed to the Commission, in reading what has been said, or reported in the, from the session of the Legislature, that there were two ways in which this matter might be handled by this Commission. For instance, we can ask, we can advertise widely that all civic authorities, by that I mean representatives of the municipal governments on all levels, who might have opinions might submit these written opinions to the Commission and that they would be considered in the

THE CHAIRMAN: (Cont.) ordinary sittings of the Commission, in its private capacity of considering evidence and conclusions reached from that. On the other hand it appears that we might advertise a number of public Hearings at "X" number of places in the Province and invite persons to come before us and publicly state their views. Now, would you, I presume there might be a desire for cross-examination and there might even be submissions to the control the, what is, what might be submitted by the municipal authorities. Would you care to assist the Commission to this extent of saying, which in your opinion is the best course that we would need to go --

MR. GARSIDE: I have no hesitation in stating, that I think, whether it is right or wrong, I believe that your own statement here, at the beginning of this Hearing right here is the right one, in other one, advertise and give everyone a full public opportunity.

THE CHAIRMAN: Very well, now, that is, there is no doubt about where you stand on that. Now, then, Mr. Garside, I don't know, I don't suppose that you know, much better than I do, how widely industry is distributed over this country, particularly having reference to the rural municipalities do you think that if the Commission were to accept that, your suggestion as to how to handle this situation that we would, of necessity, have to have Hearings in many places.

MR. GARSIDE: No, no.

THE CHAIRMAN: No, five or six?.

MR. GARSIDE: Well, I would think, as a matter of fact --

THE CHAIRMAN: Just, two --

MR. GARSIDE: What you have been doing in the past, Edmonton, Calgary.

THE CHAIRMAN: Well, of course, you know that we are limited to Edmonton and Calgary because that is the only places we are concerned about but on the other hand I could conceive of Red Deer or, for instance, or Medicine Hat or Lethbridge being concerned in this particular controversy and from, your projection, what you said earlier would apply, that if they are concerned then we ought to listen to them on the home ground .

Yes, thank you very much.

MR. GARSIDE: There was one thing further, if I may --

THE CHAIRMAN: Yes.

MR. GARSIDE: I thought perhaps, when you said yesterday morning, sir, that the recess would be until the 23rd of April that perhaps it was on that date that you would hear representation in connection with the industrial assessment question.

THE CHAIRMAN: Mr. Garside, I am afraid I didn't make myself very clear yesterday. What I meant was that the public Hearings would be continued, discontinued today--

MR. GARSIDE: Yes.

THE CHAIRMAN: And that there would be no further public Hearings unless it were decided that we should hear representation on this question of the industrial assessment. Now, when I mentioned the 21st of April it was in order to put a limit --

MR. GARSIDE: Yes.

THE CHAIRMAN: On my generosity to Mr. Brownlee, that was all, he was suggesting that he would like an extension, you may remember --

MR. GARSIDE: Yes.

THE CHAIRMAN: I said that because the Commission would be reassembling to then commence to sit and then commence to reach a conclusion, that that would be the 23rd of April so I was able to persuade him that the 20th would be a good date.

MR. GARSIDE: Thank you, sir.

THE CHAIRMAN: Now, Mr. Brownlee, would you care to express an opinion on the very same matter that I --

MR. BROWNLEE: Well, I agree entirely with my friend, Mr. Garside and, Mr. Chairman, I think probably that Doctor Harries had something, some remarks to make as to the places which he thought --

THE CHAIRMAN: Very well, I would be very glad to have you--

MR. BROWNLEE: -- that the interest might be high would you --

THE CHAIRMAN: For him to, I would be glad for Doctor Harries to say himself. We are just asking for, to hear what other people think about that.

DR. HARRIES: My suggestion, sir, was, that it might be advisable to have one Hearing in the southern part of the Province and instead of going to Lethbridge, which might involve the Commission in also going to Medicine Hat that if the Commission chose to sit in place like Taber, which is fairly central to that whole southern

DR. HARRIES: (Cont.) area, that might be satisfactory. Calgary and Edmonton could catch places like Drumheller and Red Deer and Lloydminster where there is some petroleum industry, or activity but I did think that the Commission should go to the Peace River country because of the big development that is coming there with the West Coast transmission, there is quite a lot of possibilities in that country and it seems to me that a meeting of the Commission in Grand Prairie or Peace River would be almost desirable in the terms of the type of problem you had to study and so I was going--

THE CHAIRMAN: Doctor Harries, you used "or" advisably Grand Prairie or Peace River, I thought if you ever went to Grand Prairie you always had to go to Peace River.

DR. HARRIES: I wasn't sure of that, sir, but there might be some place in between that you might go, I don't know where.

MR. DAVIES: That is the Dunvegan Crossing, Dr. Harries.

THE CHAIRMAN: You will have to wait until spring. Mr. Moffat, would you care to express an opinion?

MR. MOFFAT: Well, as a personal opinion I haven't very much to say. I put on the record my own attitude to the question the other day but as to the question of public Hearings, my only thought is that possibly preconsultation with the various associations of the Union of Alberta Municipalities that Mr. Hayes administers would probably be a more useful guide than anything. It strikes me that the most important thing is that nobody should think that they didn't have a chance to have their say.

THE CHAIRMAN: Yes, that is our feeling too.

MR. MOFFAT: It may very well be that they will say it is just as convenient to do it at a couple of separate points because we have got to get together on our briefs anyway but I would think , at the outset, you should be careful not to give the impression that you are trying to avoid a number of Hearings, and, then, the suggestion might come from the associations that one or two hearings could serve.

THE CHAIRMAN: Yes, I think that is a useful suggestion. Mr. Commissioner Hayes is just finding it difficult to know what roll he would play.

MR. MOFFAT: Yes, I can see that.

THE CHAIRMAN: Well, now, I think, Gentlemen, that this concludes this Hearing, concludes the public Hearing and I would like to reiterate what I said before to you that I think the Commission has been very fortunate, indeed, in the representatives of the various interests that have appeared before us. The presentations have been made clearly and completely and cross-examination has been conducted with good humor and we are very grateful for that so, I hope that, well, I don't expect that this is the conclusion by any manner of means but if we have this further reference, but should it be, should it be and there are no more public Hearings it has been a pleasure for the Commission to have had before it gentlemen of the quality of those who have appeared.

Well, we will now adjourn.

(At this time the Commission is adjourned . )